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5 MAY 1987

# China Report

## ECONOMIC AFFAIRS

SPECIAL NOTICE INSIDE

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5 MAY 1987

CHINA REPORT  
ECONOMIC AFFAIRS

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NATIONAL AFFAIRS, POLICY

DISCUSSION OF WU JINGLIAN'S THEORIES ON ECONOMIC REFORMS

Shanghai SHIJIE JINGJI DAOBAO in Chinese 16 Mar 87 p 1

[Article by staff correspondents Ruan Jiangding [7086 3068 1337] and Lou Bin [2869 1755] "The Time Approaches for Strategic Choices in China's Economic Reforms; Jingji Yanjiu Organizes Open and Practical Discussion; Wu Jinglian's article 'Concerning Strategic Choices in Economic Reforms' Attracts Much Attention; a Summary Will Appear in the Next Issue; the Author Believes that We Should Reflect Systematically Upon Our Experience and Summarize It in Order to Respond Properly to Important and Controversial Strategic Problems"]

[Text] Last week, in the editorial offices of JINGJI YANJIU [ECONOMIC RESEARCH], some of Beijing's economic theoreticians had vigorous discussions on the present and future of China's economic reforms.

The discussion grew out of the article by Wu Jinglian [0702 2417 8834] "Concerning Strategic Choices in Economic Reforms" published in the February 1986 issue of JINGJI YANJIU.

In a conference room of less than 100 square meters sat Tian Jianghai [3944 3068 3189], Wang Jiye [3769 4480 2814], Zhao Haikuan [6392 3189 1401], Zhou Xiaochuan [0719 1420 1557], Li Chengrui [2621 2052 3843], Zhang Shaojie [1728 1421 2638], Yu Zuyao [0060 4371 1031], Zhang Weiying [1728 4850 6601], Tang Zongkun [0781 1350 3540], Ding Ningning [0002 1337 1337], Lou Jiwei [2869 4949 3634], Zhou Qiren [0719 0366 0088], Zhao Renwei [6392 0086 0251], and Liu Liqun [0491 0500 5028] as well as, naturally, Wu Jinglian.

The participants spoke frankly and gave no quarter in debates as they exposed layer by layer the operation of China's economy. Everyone agreed with Wu Jinglian's judgment that an important turning point in China's economic reforms has arrived. The period during which breaking the bonds of the old system has furnished a great deal of vigor to the economy has past; the arduous task of building a new system must now be confronted.

For many people this debate involves a number of problems in the reform of China's economic system and an exploration of how to carry out the next stage of reform.

This face-to-face discussion among specialists was different from the kaleidoscope of views which had appeared previously in articles and in reports on the reforms.

Some concluded their remarks by saying, Wu Jinglian, I believe that the proposals you make in this article are correct in theory and I sympathize with them but they would be very hard to put into practice.

Wu Jinglian's proposals appear in a series of articles he has published in recent years. Wu Jinglian's argues that although the recent decisions taken to reduce manmade restrictions on the economy in order to create a freer economic environment--a series of reforms in pricing, the tax system, finance, and the monetary system--carry some risk, not making these decisions would be even more hazardous.

In a discussion of this problem in his article, Wu Jinglian added that it seems that these views are not entirely without foundation.

Some respond to this by saying that the progress that has been made in the reforms thus far shows that our methods are good. They argue that too much hope should not be placed upon the reform of the pricing system. Freeing prices now would make it difficult to direct production and will not end shortages. Raising prices to stimulate production works fine for watermelons but not for steel.

Others believe that urban reforms were initiated with insufficient ideological preparation. We need to find answers to these questions: What is the degree of compulsion in the present planned economy? How many economic plans harm enterprises? How much power does the central government have to control the economy? The questioner believes that the plan and the market are not artificial things; the key question is whether or not the social environment favors the formation of organizations within society.

Others stress changing the microscopic behavior of enterprises and establishing a business environment outside the enterprises and discussed market structure.

The diverging views of different scholars gradually converged to one point. We must avoid falling into the same cycle of reforms over and over again, although from a practical as well as from a theoretical standpoint this is a difficult pitfall to avoid. What we should now do, once the reforms which devolve authority in order to enliven the economy have created a basically open situation, is to objectively guide the people in joining together for a new, higher stage of reforms and to thereby end a stage of stalemate in economic reform.

The progress of reform should not be delayed by temporary factors. Everyone understand clearly that repeating the same process over and over again would have an even greater cost. Each participant had a different metaphor for the path we should take and how we should proceed. The dual system is passing the economic disorder along to the future; passing this disorder along could disrupt the economy. We should take decisive measures to prevent this from

happening. Some stated that reform is a long and complex process, like a long-distance race; we should move ahead at an even pace. Others say we should not try to do everything at once and make progress on all fronts; sometimes take one step back is worth taking two steps ahead. "Practice, knowledge, practice, and new knowledge"--the reforms of China's economic structure are gradually being more profound as they proceed open the path shown by the materialist theory of knowledge. The atmosphere of reflection and debate in this day's meeting vividly reflects this ongoing process of making China's economic reforms deeper.

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CSO: 4006/490

NATIONAL AFFAIRS, POLICY

WU JINGLIAN'S CALL FOR COMMODITY ECONOMY DISCUSSION HAILED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 9 Mar 87 p 3

[Letter from Li Bingtan [2621 3521 3508], a reader in Jiangsu]

[Text] I entirely agree with Wu Jinglian's article calling for a debate in order to improve understanding of the commodity economy which your newspaper published on 23 February. I believe that if we do not achieve clear and systematic understanding of this fundamental theory then it will be difficult to continue and to extend the present reforms.

The basic idea behind our country's economic reforms is to reform the original production economic system which was characterized by highly centralized administrative guidance and to build a planned commodity economic system based on a new type of public ownership. Product economic system theory supported the old economic system. The new economic system must be based on a theory of the socialist commodity economy. Just as the original economic system has been set aside, so too must the original economic theory be thoroughly changed.

During the last 8 years of economic reform we have seen clearly how ideas from the old economic theory have hindered the progress of economic reforms.

The first question we must answer is whether or not we want a commodity economy. There are always people who have doubts about the commodity economy and like the product economy. The inertia of the old system is still very strong. For example administrative orders are still inflexibly sent down; The enterprises can never be invigorated this way. In people's minds the commodity economy equals capitalism and the planned product economy equals socialism. Some see the commodity economy as a characteristic of socialism. [Last sentence as published]

Next comes the question of what kind of commodity economy do we want. There are many different ideas on the planned commodity economy. These ideas can be reduced to two basic views. The first view considers it a blend of the commodity economy and the planned product economy; the second sees it as the unification of the commodity economy and the planned economy. There are currently so many different aspects to the question of the necessity of creating a socialist commodity economy that it is impossible to arrive at any

conclusion. There are still doubts as to whether a commodity economy should be developed once a high level of socialism is reached.

Next, understanding of how to establish a system for managing the macroeconomy is still very fuzzy. Socialist management of the macroeconomy must be based on a theoretical knowledge of the application of the theory of value to macroscopic adjustments. People still have varying degrees of understanding of the point that the essence of the planned commodity economy is the conscious application of the theory of value to macroscopic adjustments.

This shows that there are serious shortcomings in our understanding of the theory of reform. This in turn must affect the correctness and the goals of our way of thinking as well as our degree of confidence. The very strong influence of many ideas from the old theory of the noncommodity economy make the task of solving the problems of the fundamental theory of the commodity economy very complex and very urgent. I strongly suggest that the debate begin.

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NATIONAL AFFAIRS, POLICY

CONTROL OF UNAUTHORIZED PRICE RISES URGED

HK090633 Beijing CHINA DAILY in English 9 Mar 87 p 2

[Article by CHINA DAILY staff reporter]

[Text] The State Price Bureau is urging strict control over unauthorized price rises after finding several violations of state price stabilization policies.

Officials said that all enterprises should be well aware of the importance of price stabilization. "They must carry out the state's price control policies," they stressed.

All relevant departments and organizations were also urged to co-operate with and assist price supervising organizations in strengthening price management.

Meanwhile, Vice-Premier Tian Jiyun called on a national conference on taxes and prices on Saturday to further the national effort to stamp out tax evasion and prevent large amounts of money's being wasted.

Although the State Council's "Announcement on Strengthening Market Price Managements" has been carried out since 14 January, unauthorized price rises are still being made around the country, officials said.

Some enterprises have been discovered raising the prices of goods without authorization from price administration organizations. Some are ignoring the country's fixed prices on commodities under state supervision and have drawn up their own price lists. Some businesses are "co-operating or negotiating" between themselves to change the prices fixed by the state.

Such violations have disrupted market prices and harmed consumers' interests, the bureau said.

Five people from the Shanghai Petrochemical Works and Beijing, Lanzhou, Sichuan, and Fujian vinyl plants were reported to have raised vinyl prices after a private meeting.

And in Jilin Province, the price of newsprint has been increased without the approval from the local price organizations.

The State Price Bureau has taken action against offenders, CHINA DAILY has learned.

It has issued a circular criticizing the five vinyl plants and ordered the Jilin Provincial Price Bureau to correct the "unreasonable" newsprint price.

And in east China's Jiangsu Province, the Provincial Textile Industry Bureau and the Price Bureau have jointly drawn up an announcement to control price rises for cotton yarn.

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NATIONAL AFFAIRS, POLICY

#### WAGE REFORMS FOR STATE-OWNED ENTERPRISES PROPOSED

Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 9, 23 Sep 86 pp 19-22

[Article by Zuo Mu [0146 3668]: "How To Put The Wage System in State-owned Enterprises on a New Course"]

[Text] Reform of the wage system in state-owned enterprises is a major task in the process of changing course from the old to the new economic system. The highly centralized planned economy is currently changing gradually to a socialist commodity economy; consequently, a new wage system not only has to maintain its planned nature, but must also be consistent with the commodity economy, being diverse and flexible in nature.

During the Sixth 5-Year Plan period, we gained important experience in conducting pilot projects for wage system reform in which wage readjustments were linked to movement toward a planned commodity economy. Now, I would like to express some views on the issue of how to further reform the wage system in enterprises.

#### Establishment Of A Wage Control System Based On The Degree To Which Enterprises Make Their Own Decisions and Are Responsible For Their Own Profits And Losses

The highly centralized wage control system prevailing in China today is extremely detrimental to the enlivening of enterprises. In a future reform of the wage system in enterprises, some should have a centralized control system while others should be delegated authority over wages. Three different kinds of wage control systems should be established, namely direct control, semi-direct control and indirect control, depending on the nature of the enterprise, its position within the national economy and the extent to which it makes decisions for itself and is responsible for its own profits and losses.

(1) A Direct Control System For Type A Enterprises. By type A enterprises is meant enterprises that are by nature state monopolies. Examples include the railroads, banks, posts and telecommunications, communications, and large electric power grids, etc. Such enterprises should continue a system of state ownership and state operation, organizing their production primarily on the

basis of state command plans, the state being responsible for profits and losses resulting from policies. Under these circumstances, the level of remuneration for the labor of staff members and workers obviously would not be determined by an enterprise's direct economic results but rather would have to be decided in the larger context of overall economic results and set at the general level prevailing in society. Therefore, distribution according to work in this category of enterprise would not be in terms of the enterprise but would have to be in terms of the society. This is to say that there would be an objective requirement of the same pay for the same work among enterprises, equal compensation being paid for equal work. Realization of this requirement would entail the selection of a wage system of a basic wage plus bonuses, putting into effect state-set uniform overall wage standards, subsidy systems and bonus limits, with bonus taxes being paid on amounts that exceed the limits.

If this were the case, would it not be unnecessary to reform the wage system in these enterprises? Not at all. The serious egalitarianism in distributions prevailing in these enterprises needs to be solved through reform. For example, (1) the grade raises and the wage readjustments of the fifth and sixth 5-year plans were made in accordance with uniform state regulations. Grade raises based on seniority were a general phenomenon, with the result that there was no wage spread between new and old workers, among leading cadres, scientific and technical personnel, and between first line and second line personnel. In some cases the spread was not equitable, some new wage "platforms" arising among staff members and workers whose labor contribution differed. Simultaneous with a rise in wage levels must be an emphasis on making the correlation among wages rational. (2) A contract operation responsibility system in which responsibilities, authorities and benefits are linked should be generally promoted. Under the limitations of the contract terms, expansion of an enterprise's authority to make distributions should permit an enterprise to increase fluctuating wages and bonus percentages as actual circumstances permit, thereby overcoming the proneness to inertia that results when basic wages are generally uniform. (3) For enterprises within the same industry such as repair plants and machine processing plants within the post and telecommunications industry and the railroad industry, in which there is a large element of use in common, participation in market competition is entirely necessary and possible, and it is necessary to treat these enterprises as ordinary ones in making wage reforms and not continue to regard them as special industries.

(2) A Semi-direct Control System For Type B Enterprises. By type B enterprises is meant key enterprises of a special nature and military industrial enterprises. Some of these enterprises have a monopoly character to a certain extent (subways, urban bus transportation, gas, electricity and water supply, for example); some benefit society (large book stores and large pharmacies, for example); and some are large key enterprises (such as large mines, large steel complexes, large chemical industry complexes, and large commercial materials wholesalers). Some enterprises in this category base their production on command plans primarily; others must place social benefit in first place as the goal of their operations and adhere to state-set prices. It is difficult for them to achieve complete self-determination in their operations and to be completely responsible for their own profits and losses.

Compensation for the labor of staff members and workers in this type enterprise has to be related to the enterprise's performance, a floating wage system being adopted in which total wages are linked to the enterprise's production performance. However, wages should not be linked simplistically to the profits and taxes that the enterprise pays the state. Experiences in pilot projects show that owing to differences in the availability of resources, the condition of equipment and the price of products, an enterprise's profits and taxes do not entirely reflect the extent of subjective effort by the staff members and workers in the enterprise. In order to reduce the effect of non-labor factors on individual distributions, specific methods for correlating performance of operations in different industries and different enterprises and a proportional correlation have to be found, the total wage bill and the correlation coefficient being separately examined and approved. Thus, this is still a form of semi-direct control. In short, in the process of changing the course of the economic system, most of the country's large and medium size key enterprises could adopt such a semi-direct control system.

(3) An Indirect Control System For Type C Enterprises. Most industries and businesses that are not type A or type B are type C enterprises. This type enterprise is strongly competitive. Type C enterprises operate primarily under command plans and market regulation; they make their own production decisions and they are themselves responsible for profits and losses. This category of enterprise should have a flexible wage system. Except for the wages of principal leading personnel, which have to be approved by higher authority, wage levels should be determined by the enterprise's production performance. The enterprise should have authority to decide distributions itself and to make its own decisions about the form of wages. When staff member and worker earnings exceed the general level prevailing in society, wage taxes would have to be paid. In addition, the state could provide separately the percentage of distribution of an enterprise's after tax profits, requiring an enterprise to increase proportionally its public accumulations, its collective welfare fund and its reserve fund.

The financial system of type C enterprises concerned would have to be rigid. Most enterprises who would be able to declare bankruptcy in the future would be of this type that truly make their own decisions about operations and that are responsible for their own profits and losses.

Of course, the categorization of an enterprise would not be immutable, particularly for type B enterprises that are in a middle position. Some would remain unchanged for a long time, while others might become state-owned and directly operated by the government. Others might develop into type C enterprises, i.e., being owned by the state but the enterprise making decisions about operations.

#### Planned, Proportional, and Year-by-Year Increase in the Real Wages of Staff Members and Workers

Wage increases in China have been very irregular since founding of the People's Republic. Usually staff members and workers received a one grade wage increase when the public coffers were full, but when the treasury was in straitened circumstances, the wage issue had no standing at all. During the

early part of the Sixth 5-Year Plan, departments concerned in the State Council proposed that planned, proportional wage increases serve as the guiding thought for wage reform. No one expressed dissent after numerous discussions, and it seemed probable that wages would increase.

The situation during the Sixth 5-Year Plan showed, however, that this guiding plan was never put in place. For example, though the gross output value of industry and agriculture, gross national product and average annual growth of national income all increased by about 10 percent during the Sixth 5-Year Plan, the average annual increase in per capita earnings of staff members and workers in state-owned enterprises increased only 0.43 percent during the first 3 years of the Sixth 5-Year Plan. During the second 2 years, wage fund growth went out of control, with per capita earnings of staff members and workers in state-owned enterprises increasing 34 percent. During the first 3 years, there was virtually no increase; during the final 2 years, there was an abrupt increase. Many years of practice show that virtually all abrupt increases are an inevitable result following restraints on wage increases. In consequence, wages and production performance are out of line with each other causing an intensification of the conflict between supply and demand in consumer goods markets.

One important reason for the loss of equilibrium in wage increases is overcentralization of authority over wages. Wages in state-owned enterprises are directly tied to public revenues. Therefore, if there are to be rational increases and equitable increases in wage levels, there must be a change in enterprise's wages being entirely directly dependent on the state of the public treasury.

Theoretically, public revenue is not the source of an enterprise's wages. Wages, like public revenues, come from the new value created by enterprises. So long as materials consumption and the labor productivity rate remain constant, public revenues decrease as wages rise. Conversely, should materials consumption decline or the labor productivity rate rise, costs per unit of product will decline, and simultaneous with an appropriate rise in wages will be a rise in public revenues. Therefore, the key lies in relating wages to an enterprise's economic performance. In the future, only the wages of type A enterprises would depend, to a certain extent, directly on public revenues. However, for type B enterprises, it would only be necessary that fluctuations in the total wage bill be set on the basis of overall performance criteria. There could be a basic liberalization for type C enterprises. So long as there is a rational correlation among prices, the public treasury would not be responsible for wage increases in enterprises that had not been run properly. For enterprises in which the level of distributions was somewhat high, a progressive wage tax could be used as a means of regulation. In this way, wage increases would not become an element in reducing public revenues.

On the basis of the foregoing analysis, it is recommended that the new wage system explicitly provide as follows: 1. State guaranteed planned, proportional increases in the real income of staff members and workers in type A enterprises, i.e., in state-owned and state operated enterprises or in enterprises in which the state contracts production based on the degree of development of the national economy and on the status of plan completion by

enterprises. 2. State increase in the total wage bill of type B enterprises on the basis of completion of their overall performance. 3. Compensation paid to labor and the form of wages in type C enterprises to be decided by the enterprises themselves, government units in charge examining and approving the wages of only the leaders in an enterprises and not interfering otherwise. Positively no operation of a "large common pot" and no guaranteeing a basic wage by the state for enterprises operating at a loss; and levying wage taxes on enterprises that exceed normal distribution levels.

Implementation of the foregoing plan would result in unhitching wages from public revenues for most state-owned enterprises and a switch from direct dependence on public revenues to direct dependence on a rise in one's own economic performance. Doubtless, this would have a positive effect in improving the administration and management of enterprises. In addition, only in this way will it be possible genuinely to guarantee that there will be a steady increase in the real earnings of staff members and workers in a very small number of special enterprises.

#### Adherence to the Delegation of Authority To Make Distributions and Bolstering of Macroeconomic Control and Regulation

First of all, practice in reform during the past several years has shown that macroeconomic control and regulation of growth of wage funds are completely attainable and that we should maintain an optimistic attitude. For example, first, the state ruled that bonuses of more than the basic wage for 4 months would be taxed. As a result, an overwhelming majority of enterprises did not exceed the 4 month wage, nor did most linked pilot project units exceed the state prescribed amount by which linked wages could fluctuate. This shows that bonus taxes and wage taxes can play a role in macroeconomic control and regulation. Second, enterprises largely abided by wage guidelines for enterprises handed down by state labor personnel departments. Cadres in enterprises said, "Uniform wage guidelines are a stabilizing element in enterprises' wage levels." Third, units in which wage reforms were made on the basis of decisions by the enterprise itself mostly made sure to solve some glaring problems in wage relationships in the course of raising wages. For example, on the matter of wage remuneration being too low for technical personnel, first line workers and old technical workers, they effectively reduced egalitarianism. They also made long-range plans and retained some reserve wage funds. In addition, some enterprises instituted a method whereby wages could float downward, taking the first steps in creating a fine atmosphere in which wages might rise or fall. In short, the view that delegation to enterprises of authority over wages might result in a loss of macroeconomic control proved groundless. Conversely, there are myriad variations among enterprises, so any readjustment of wages or wage relationships on the basis of uniform regulations will usually be difficult to make rational.

In instituting a new wage system, it is suggested that the following requirements be carried into effect.

Economic entities that make their own operating decisions and are responsible for their own profits and losses must become independent wage distribution

units. In controlling the total wage bill, provinces, municipalities, and key cities under provincial jurisdiction must be given a certain amount of authority to regulate wages as a means of solving some lingering problems about wage relationships.

For directly controlled and semi-directly controlled enterprises, the state should prescribe uniform overall wage standards and limitations on bonuses, controlling the total wage bill. At regular intervals, the state may change the wage grade tables, as development of the national economy warrants, and direct enterprises to make equitable distributions. In practice, state prescribed wage tables may function as a median. Enterprises should be permitted to make the actual compensation paid staff members and workers somewhat higher or somewhat lower than the wage grade tables as the performance of the enterprise warrants. Wage tables should best be changed once each year to enable wage scales to steadily and generally rise. In addition, only those workers whose individual skills have truly increased should be given a grade raise. In the future, changes in wage tables should be relied on primarily for wage increases; no longer should general grade raises be the sole means of increasing wages. The egalitarian method of everyone getting a grade raise must be overcome and enterprises should be encouraged to raise the level of their skills. In addition, enterprises should themselves decide whether to establish a job seniority subsidy system for senior skilled workers, workers in positions of responsibility, and skilled workers.

Uniform bonus and wage tax rates should be set by the state, tax levies used as levers to regulate wage relationships among enterprises.

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CSO:4006/184

NATIONAL AFFAIRS, POLICY

CASS OFFICIAL DISCUSSES REFORM IN STATE-RUN ENTERPRISES

Shanghai SHIJIE JINGJI DAOBAO in Chinese 16 Mar 87 p 2

[Article by staff correspondent Yang Xiaolin [2799 1420 2651], "He Jianzhang's Views on the Management of Different Types of State-Run Enterprises"]

[Text] Chinese economic reform enters a period of important choices in its eighth year. Many economic theoreticians have proposed many theories to handle problems such as the overdistribution of the national income in recent years, the excess of money in circulation, and a too rapid increase in inflation. The director of the CASS Social Sciences Research Institute and director of the China Planning Science Association, He Jianzhang [0149 1696 4545], believes that while we should not retreat from the commodity economy neither should we restore the system of private property. We should reform the relationships within the system of public ownership, correctly handle the relationship between adjustments to planning and adjustments to the market, and adopt many different types of management so that large and medium-sized enterprises will adapt successfully to the environment of the commodity economy.

He Jianzhang agrees with the idea that state-run enterprises should be managed according to the type of enterprise. Recently, when he received journalists, He Jianzhang stated that in the management of the socialist economy, adjustments to the market and adjustments to the plan must take effect simultaneously since the two are inextricably intertwined. The only difference is that the difference between the primary and the secondary is different for state-run enterprises operated according to the type of enterprise. The state can effectively control the market through state-run enterprises in three ways.

The first type is an enterprise which is not operated on a profit basis which is directly managed by the state. The enterprise's production plan and indices of performance are sent directly to the enterprise by the state.

Another type includes enterprises such as long-term investment banks, foreign exchange banks, and large and medium commercial wholesaler and foreign trade enterprises. These enterprises operate according to the market adjustments required by the state and make a fixed profit. Such enterprises are not affected by spontaneous, natural market adjustments; they participate in a regulated market in order to assure the state's effective macroscopic control over the markets for goods and materials and for capital.

The third type of enterprise includes most state-run enterprises. These enterprises determine their own production and management decisions based on market conditions without interference from the state. The enterprise itself is responsible for profits and losses; if its assets do not match its debt obligations it goes bankrupt.

He Jianzhang proposes, in order to ensure that state-run enterprises respond quickly to adjustments to the market made by the state, that the key link in of the economic reforms should be the adoption by large and medium state-run enterprises of the principle "state property, collective management." The state, acting as the representative of enterprises belonging to the entire nation, assigns enterprise contracts to the enterprise worker and staff collective according to certain conditions of responsibility, authority, and benefits. Collective management is democratic management by workers and staff. When the contract period ends the state has the right to recover its property or to extend or modify the contract. During the course of the contract, the worker and staff collective has actual use of the capital and production of the enterprise. With the right to use and the right to control, the leading role of workers and staff is no longer just words or an abstraction. It is in fact the workers united exercising the rights of ownership.

He pointed out that since the transitional period between the old and the new economic models will be fairly long, the market is still in its developmental stage and planning to use any one model to reform the management method of all enterprises is unrealistic.

He believes that several representative, and relatively controversial, reform proposals, such as the stock system, the trusteeship system, the goods and materials management responsibility system, should be analyzed concretely rather than in the abstract.

Economic types such as the cooperative economic character of the stock system, the private capitalistic character, and private partnership economic mixed corporate body can be used to a certain extent and in certain areas. However they cannot become the predominant type of the Chinese economy. Moreover in recent years profitmaking task assignments, the profit-and-loss task-management contract responsibility system, and the system of organizing enterprises with fellow workers and staff implemented in recent years are all different manifestations of the principle "state property, collective management."

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CSO: 4006/490

NATIONAL AFFAIRS, POLICY

TABLE OF TEST CITIES FOR ECONOMIC REFORMS

Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese  
No 3, 23 Mar 87 p 52

[Excerpts]

Province (Region)	No. of Test Cities	City Names	Medium-sized Cities	Test Cities for Financial Reform	Test Cities for Housing Reforms	Test Cities for Markets of Production Materials	Test Cities for Enterprise Reforms
Henan	4	Zhengzhou, Kaifeng, Louhe, Anyang	Anyang, Luoyang,				
Hubei	3	Wuhan, Shashi, Xiangfan	Huangshi	Wuhan, Shashi	Wuhan	Wuhan, Shashi	Wuhan
Hunan	2	Changsha, Hengyang	Hengyang				
Guangdong	4	Guangzhou, Foshan, Jiangmen, Zhanjiang	Jiangmen	Guangzhou	Foshan, Jiangmen	Guangzhou	
Guangxi	2	Nanning, Liuzhou					
Sichuan	6	Chongqing, Chengdu, Zigong, Panzhihua, Deyang, Leshan	Zigong	Chongqing, Chengdu	Chongqing	Chongqing	Chongqing
Guizhou	3	Guiyang, Zunyi, Duyun					
Yunnan	2	Kunming, Dali					
Shaanxi	2	Xi'an, Baoji	Baoji	Baoji, Xi'an			
Gansu	2	Lanzhou, Tianshui	Tianshui	Lanzhou	Lanzhou	Lanzhou	
Qinghai	1	Xining					
Ningxia	1	Yinchuan					
Xinjiang	1	Urumqi					
Total	72		16	27	14	13	6

Province (Region)	No. of Test Cities	City Names	Medium- sized Cities	Test Cities for Financial Reform	Test Cities for Housing Reforms	Test Cities for Markets of Production Materials	Test Cities for Enterprise Reforms
Hebei	4	Shijiazhuang, Tangshan, Handan, Qinhuang Dao		Shijiazhuang	Shijiazhuang, Tangshan, Xingtai	Shijiazhuang	Shijiazhuang
Shanxi	1	Taiyuan					
Nei Mongol	2	Hohhot, Baotou					
Liaoning	5	Shenyang, Dalian, Dandong, Yingkou, Fushun	Dandong	Shenyang, Dalian, Dandong	Jinzhou	Shenyang	Shenyang
Jilin	3	Changchun, Siping, Jilin		Changchun			Siping
Heilongjiang	5	Harbin, MuDanjiang, Qiqihar, Jiamusi, Jixi		Harbin			
Jiangsu	2	Nanjing, Changzhou	Changzhou, Suzhou, Wuxi	Nanjing, Changzhou, Suzhou, Wuxi	Zhenjiang	Nanjing, Changzhou, Suzhou, Wuxi	Wuxi
Zhejiang	4	Hangzhou, Huzhou, Ningbo, Wenzhou		Shaoxing	Ningbo, Wenzhou, Hangzhou		
Anhui	2	Hefei, Bengbu	Ma'anshan		Bengbu		
Fujian	4	Fuzhou, Quanzhou, Sanming, Xiamen	Xiamen	Fuzhou		Nanping	
Jiangxi	4	Nanchang, Jingdezhen, Pingxiang, Jiujiang					
Shandong	3	Jinan, Weifang, Qingdao	Weifang	Weifang, Qingdao	Yantai	WEIFANG	WEIFANG

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CSO: 4006/546

PROVINCIAL AFFAIRS

DU RUNSHENG ADDRESSES GUANGXI ECONOMIC MEETING

HK251440 Nanning Guangxi Regional Service in Mandarin 1030 GMT 24 Feb 87

[Text] A regional economic work conference began in Nanning yesterday. Yesterday morning, Comrade Du Runsheng, director of the Rural Policy Research Office under the Secretariat of the CPC Central Committee, delivered a report on issues concerning rural reform at the conference attended by nearly 1,000 representatives and leading comrades of organs at the regional level.

Comrade Du Runsheng's report mainly dealt with the following points:

First, reform is the self-perfection of our socialist system. He said: Our country builds socialism under the leadership of the CPC. Our systems are yet to be perfected. Our economic system will have some shortcomings, our economic results are not good enough, and we have not done well in closely integrating economic results with the interests of the masses and in mobilizing the enthusiasm of the masses. Therefore, it is imperative to promote this self-perfecting. In promoting this self-perfection, we must not forsake socialist orientation nor must we replace socialism by capitalism. Upholding socialism and the communist party leadership are inseparable. To promote reform and opening up, we must develop socialist commodity economy, which is a necessary stage of development. The development of commodity economy is bound to bring about some problems. We should make a sober estimate of this. Reform and opening up must be integrated with upholding the four cardinal principles.

Second, reform is a protracted and formidable process which cannot be accomplished in one move. As reform involves the readjustment of the structure of interests, it is imperative to carry on reform step by step for the sake of safeguarding stability and unity and averting shocks to society. In promoting reform, it is imperative to give enterprises and peasants the decision-making power over production and operating activities. The first step is to transfer power and to make sure that those with decision-making power over production and operating activities will assume sole responsibility for profits and losses. After taking the first step to mobilize the peasants' enthusiasm for developing individual operations in rural areas, we must mobilize the peasant's enthusiasm for developing joint operations, promoting two-layer [shuang ceng] operations, and successfully running collective operations on the basis of preserving household operations.

Third, issues concerning reform and development. Comrade Du Runsheng said: Reform is aimed at developing economy and perfecting our socialist system. Without reform, it will be very difficult to develop economy. We must have stable economy, avert economic fluctuation, and avoid overheating or overcooling of the economy.

Referring to problems in the rural economic, Comrade Du Runsheng said: At present, our country's glaring problems are: A very large population with insufficient land; uneven relations between the deployment of resources and the allocation of labor forces. To solve these problems, we must successfully solve the problem of transferring labor forces. After transferring labor forces to diversifying and nonagricultural operations, we must implement intensive and large-scale business methods. Overall, the readjustment of rural setups of production conducted over the past few years has paid off. After Guangxi's readjustment of its rural setups of production, the output of sugar, fruits and fish in Guangxi increased by nearly 100 percent, thus enabling the peasants to have some spare money. This is a correct way. Our current problem is that there is not much flexibility in the distribution of land for growing cash crops and autumn grain crops. Some areas have slightly exceeded the limit of reducing the acreage under grain. This can be resolved through readjustment. A number of peasants do not have much enthusiasm for growing grain. This is a very complicated problem which should be tackled in a comprehensive way.

We must improve the system for purchase and marketing. We must implement the double-track policy on grain prices including fixed and negotiable prices. We must control consumption, increase input, and transform low-yielding land. We must control arbitrary occupation of land, implement the correct land policy, and properly encourage the concentration of land.

Attending yesterday morning's conference were Chen Huiguang, Tao Aiying, (Zhong Jiasuo), (He Youjia), Huang Yun, Qin Yingji, Gan Ku, (Wang Rongzhen), and Chen Ren, leading comrades of our autonomous region.

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PROVINCIAL AFFAIRS

WANG CHAOWEN ON GUIZHOU'S ECONOMIC STRATEGY

OW300345 Beijing XINHUA Domestic Service in Chinese 0149 GMT 29 Mar 87

[By reporter Zhou Kejin]

[Text] Beijing, 29 Mar (XINHUA)--When interviewed by this reporter during the Fifth Session of the Sixth NPC, Wang Chaowen, NPC deputy and Guizhou governor, brought up one of the major reasons why the scope of construction consistently exceeds what the nation can afford. He said that it was because the responsible persons of some localities are so eager to improve the local backward conditions and to see substantial results in a short time that they unrealistically spread themselves too thin. He said that to improve backward conditions, one has to proceed from the reality and be prepared for a "protracted war."

Wang Chaowen said: Premier Zhao, in his government work report, expounded in depth upon the objective law that the scope of construction must correspond with what the nation can afford. This is important to successful economic work. He said: Both the per capita income and the output value of Guizhou Province lag far behind the whole nation, which has brought tremendous pressure to bear on the responsible persons of our province. A few years ago, we launched several capital construction projects in order to eradicate these backward conditions as soon as possible. This year the CPC Central Committee brought up the need to curb overexpansion in the economic field. At first, we thought we could make a special case of our backwardness. However, after studying the related instructions from the state Council, we realized curbing economic overexpansion is a policy decision that the CPC Central Committee made in light of reality, and that it is beneficial to the long-term, steady development of our national economy. We also realized that to improve the backward conditions of our province, we have to proceed from Guizhou's reality. The reality of Guizhou at present is that we are short of electricity, transportation facilities, and funds, and we have peasants who cannot feed themselves. This reality dictates our province's economic development strategy for the immediate future. We must, first of all, support the state's key construction projects in Guizhou in energy and transportation fields; second, we shall develop agriculture to ensure that everyone is fed; and then, depending on the funds and resources available to us, we shall selectively map out our economic construction and social development plans. This development strategy may not seem very grandiose, but it is certainly down-to-earth and achievable. We should not attempt to "fight a quick battle," as haste makes waste.

According to Wang Chaowen, this year Guizhou Province will cut investment in capital construction by 160 million yuan, reduce technological renovation funds by 43.25 million yuan, and trim administrative expenditures by 38.35 million yuan. In all, 242 million yuan will be clipped off. He said: In curbing economic overexpansion, it is necessary to take the overall interests into consideration. Various localities and the central government must work together with one mind. Only by taking care of our needs as well as keeping in mind what is possible can we ensure the continuous, steady development of our economy.

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PROVINCIAL AFFAIRS

HENAN TEXTILE INDUSTRY UPGRADES QUALITY

Beijing RENMIN RIBAO in Chinese 18 Mar 87 p 5

[Unattributed Article: "The Henan Textile Industry Has Launched a Campaign To Upgrade Quality, Linking Target Appraisals to Rewards and Penalties, and Encouraging Enterprises To Tap Their Internal Potentialities; Its 1986 Increases in Output Value and Profits Both Topped Those of the Textile Industry Throughout China"]

[Text] A campaign has been launched throughout the Henan textile industry to "upgrade quality, raise standards, and make pioneering advances." It has closely linked scientific target appraisal methods to reward the penalty measures, spurring enterprises to further improve their economic results and tap their internal potentialities, and achieving outstanding results in its first year. Despite shortages of power and raw and processed materials, the textile industry throughout Henan Province achieved an output value of 4,294 million yuan and realized taxes and profits of 600 million yuan in 1986. These were increases over 1985 of 7.42 and 6.17 percent, respectively, both topping those of the textile industry throughout China.

The campaign to upgrade quality was launched at the beginning of 1986, being a new form of target management created by the Henan textile industry. Aimed at achieving advanced standards for the industry throughout China, it linked the campaign to reward, penalize, and select the most advanced enterprises with their success in realizing targets. It eliminated the past method of appraising increases in enterprise output value and profit taxes alone, which had the drawback of protecting the backward at the expense of the advanced. It concentrated on appraising the three overall economic results targets of taxes and profits created per person, labor productivity, and tax/profit rates per 100 yuan output value. This enabled enterprises to initially overcome such tendencies as contending for projects and investment, stressing extensive methods while slighting intensive methods, and emphasizing speed at the expense of quality. In 1986, the fixed assets of the textile industry throughout China increased 13.6 percent, while those of the Henan textile industry increased only 2.89 percent. Increases in output value and results accrued mainly from enterprises tapping their internal potentialities. Moreover, the textile industry throughout Henan ended its trend of declining quality and in 1986 won awards for excellence for 25 of its products, or more than in any year since quality evaluation began in 1979.

The campaign to upgrade quality appraised enterprise management achievements alone without limiting their management methods, giving them the initiative and flexibility to choose ways to improve their economic results. For instance, the Nanyang cotton mill made efforts to revise its product mix, the Xinye cotton mill took vigorous measures to reduce its consumption of raw and processed materials, and the Shangshui County towel and bedding factory stressed such measures as improving product quality, expanding product exports, and developing international markets. They all achieved their common goal of improving their economic results. Moreover, the uncomplicated targets and appraisal measures also freed responsible departments from their past tedious routines.

After the campaign to upgrade quality was launched, the 250 textile enterprises above the county level in Henan Province were divided into 24 categories. Each category was separately classified into three grades as having provincial average standards, provincial advanced standards, or national advanced standards. Enterprises were appraised in order by category. Since the upgrading appraisal methods correctly evaluated real enterprise achievements, they provided a basis for rewards or penalties. Concerned comprehensive departments directly subordinate to the Henan provincial government formulated eight reward and penalty measures for the campaign to upgrade quality. Such measures as reduction or mitigation of adjusted taxes, the use of a 3-percent escalating scale, plans for technological transformation of projects, and assignment of raw materials that were in short supply were all linked to the campaign. Every staff member and worker understood that they would either win honor and wealth if their factory flourished, or suffer shame and poverty if it declined. This enabled the campaign to upgrade quality to be an operation that expanded the awareness of staff members and workers.

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CSO: 4006/458

PROVINCIAL AFFAIRS

CHEN MUHUA INSPECTS INDUSTRIAL ENTERPRISES IN HUNAN

HK280241 Changsha Hunan Provincial Service in Mandarin 2300 GMT 27 Feb 87

[Text] Accompanied by Governor Xiong Qingquan, Comrade Chen Muhua inspected the Xiangtan electric motor plant, Xiangtan iron and steel plant, and our other enterprises on 27 February. She listened carefully to reports given by responsible persons of these enterprises on deepening enterprise reforms and launching the drive to increase production and practice economy and increase revenue and economize expenditure.

(Fan Gongfu), manager of the Xiangtan electric motor plant, reported on the marked economic results achieved by the plant through technological transformation in recent years. Chen Muhua nodded again and again, saying that enterprises need a lot of mobile funds in order to carry out technological transformation. At present the state's capital is limited, so the enterprises should pay attention to increasing the proportion of their retained capital. Not all the enterprises' profits can be used as investment in fixed assets. Accumulation of fixed assets and accumulation of mobile funds must proceed synchronously, to ensure balanced development.

At the Xiangtan electric motor plant, Chen Muhua viewed demonstrations of various production operations with interest. She also listened to work reports delivered by the Xiangtan city party committee and government.

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CSO: 4006/545

PROVINCIAL AFFAIRS

LIAONING GOVERNOR ON LONG-TERM ECONOMIC GROWTH

OW291400 Beijing XINHUA Domestic Service in Chinese 0157 GMT 28 May 87

[By report Hu Qinghai]

[Text] Beijing, 28 Mar (XINHUA)--During an interview at the Fifth Session of the Sixth NPC, Li Changchun, governor of Liaoning and a member of the Liaoning delegation, discussed with this reporter Liaoning's actual situation and the need to seek a steady, long-term economic growth that Premier Zhao Ziyang has called for in his government work report.

This youngest governor in the country indicated that he supported Premier Zhao's view and maintained that to ensure a steady, long-term economic growth, the relationship in the following five areas should be handled properly:

1. The relationship between growth and results should be properly handled. He said: Achieving better economic results must be regarded as the core of economic work. Instead of pursuing extraordinary high growth unrealistically, we should seek an appropriate growth on the basis of achieving better economic results. He reported that, while Liaoning's economic growth in 1986 was basically proper, certain enterprises pursued high growth unrealistically, disregarding whether their products could sell. Consequently, unsold products piled up and profits dropped. Compared with 1985, he said, the amount of capital tied up by commodities in the province last year was 700 million yuan higher, and enterprises' losses rose by 70 million yuan. In view of this situation, he said, Liaoning has changed its measures for evaluating enterprises, assessing enterprises' performance on the basis of their returns from sales instead of their output value. Moreover, in an effort to compel enterprises to improve the quality of products and economic results, the province has also attached greater attention to profits, amount of profits and taxes turned over to the state, and consumption of resources.
2. To make sure that consumption growth is truly based on production growth, the relationship between consumption and production must be properly handled. Governor Li said: Workers must be guided to carry forward the spirit of arduous struggle in building the country and properly approach the issue of consumption. Efforts of trade unions, CYL organs, and women's federation should be promoted to guide the masses to change their consumption habits, practice economy in doing everything, and oppose

extravagance and waste. As for the amount of profits an enterprise may retain for its disposal, it should properly handle the relationship between accumulation and consumption, and firmly abide by the state's bonus system. Collective and rural enterprises should resist the urge of dividing and spending all the retainable profits. The growth of dividends to be shared among workers should be lower than production growth as well as the growth of the amount of profits and taxes to be turned over to the state. This year Liaoning plans to cut its administrative expenses by 20 to 28 percent and has shelved all projects of building new catering facilities.

3. The relationship between capital construction and technological transformation within an enterprise should be properly handled so that the construction is within the nation's spending power. The governor said: As an old industrial base, Liaoning must establish its footing on expanding production, upgrading technology, and tapping enterprise potential. To ensure the availability of resources for energy, communications, and technical transformation projects, and the construction of middle and primary school buildings, as well as infrastructural projects essential for the development of the Liaodong Peninsula, Liaoning is about to curtail its capital construction by 12 percent.

4. The relationship between agriculture and other economic sectors should be properly handled. The governor said: As an industrial province, Liaoning's agricultural foundation is frail. As such, we will continue to carry out rural reform and increase our agricultural investment. Experiences show that whenever agricultural production developed in the province, it also brought about economic prosperity throughout the province; and that whenever agricultural production was poor, the economy in Liaoning also suffered immensely. Such being the case, we must have a stronger agriculture, foundation of the national economy, by intensifying farmland capital construction and subsidizing agricultural production with proceeds from industrial production.

5. The relationship between reform and construction must be properly handled. He said: This year Liaoning will continue to regard renovation of enterprises as the central task of reform and continue to improve enterprises' operation, extensively popularize all types of contractual responsibilities, continue to set up small accounting or operating units within large and mid-size enterprises and then bring into these units measures for enlivening small enterprises. Contractual and leasing systems will continue to be carried out at small enterprises.

Governor Li Changchun concluded: Reform takes a long time. We must fully understand the complexity and arduousness of reform and maintain a steady economic growth.

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CSO: 4006/545

PROVINCIAL AFFAIRS

FORUM ON COUNTY ECONOMY HELD IN BEIJING

OW110341 Beijing XINHUA Domestic Service in Chinese 1237 GMT 10 Mar 87

[By reporter Wu Shishen]

[Text] Beijing, 10 Mar (XINHUA)--Prefectural and county economics in our country, as "little economic giants," are brisk; and they have become increasingly independent. While attending a forum on the development and reform of prefectural and county economies today, some economists in the capital pointed out: Since the prefectural and county economies are rapidly thriving, we can no longer remain in a theoretical "vacuum" in this regard. We should try to provide useful theoretical guidance for practical actions.

In breaking away from the set pattern of the "courtyard economy," more than 2,800 prefectures and counties have opened new avenues or sought new ways to invigorate their economies in recent years. While not relaxing their efforts at agricultural production, a large number of counties and towns have readjusted their economic structures according to their own conditions. Their economies are thriving by making full use of their favorable conditions. The proportion of industrial output value in the county economy has noticeably increased, and village and town enterprises have become important economic pillars. According to incomplete statistics, last year the country had over 12 million village and town enterprises, whose total output value reached approximately 330 billion yuan, exceeding total agricultural output value for the first time. Prefectural and county economies are now moving toward a coordinated development of agriculture, forestry, animal husbandry, sideline production, and fisheries, and the joint management of industry, commerce, building industry, transport, and service trades. Now a number of prefectures and counties whose total output value exceeds 1 billion yuan each have emerged in the country. Lateral economic ties have expanded from only those between industrial and commercial enterprises to include those between regions and departments, or between urban and rural areas; the scope of their cooperation has increasingly broadened. Urban industries are spreading to suburban districts, county towns, or even rural areas. A new integrated structure of urban and rural economies, characterized by multilevel and manifold economic and technical cooperation, is taking shape.

The economists held: Prefectural and county economies are important for the national economy as a whole and for the modernization drive. When the prefectural and county economies are invigorated, the national economy will thrive. Because natural conditions vary from region to region, prefectures and counties differ greatly in economic development. Lacking a strategic foresight, some prefectures and counties are engaged blindly in economic development. It is necessary to strengthen macroeconomic control over them and provide more theoretical guidance to them in order to make it possible for them to develop simultaneously with the urban economy in a coordinated way.

The forum on the development and reform of prefectural and county economies was sponsored by QU XIAN JINGJI BAO [PREFECTURAL AND COUNTY ECONOMIES JOURNAL]. The economists believed that the publication of this new paper would be of great help to strengthening the dialogue between city and country and filling up the theoretical "vacuum" in prefectural and county economies.

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CSO: 4006/545

PROVINCIAL AFFAIRS

BRIEFS

INTER-REGIONAL ECONOMIC COOPERATION--Beijing, 2 Apr (XINHUA)--INTER-REGIONAL Economic cooperation helped entrepreneurs in north China's 5 provinces and municipalities to sign cooperative contracts valued at 2.5 billion yuan (576 million U.S. dollars). About 15,000 enterprises in 20 provinces and regions were involved in economic entities to produce name-brand high quality products, reports today's ECONOMIC DAILY. Shanxi Province, a major coal center, provided 49 million tons of coal in the past 5 years to areas which lack fuel. Beijing has invested 130 million yuan in setting up special centers for the production of pig iron, aluminum ingots, building materials, vegetables and fruit in Henan, Hubei, and Gansu provinces. The city bought 270,000 tons of vegetables, accounting for 30.6 percent of it's total consumption, the paper said. Tianjin has carried out 5,600 transactions with other provinces in the form of technical transfers, consultancy, and contracted projects. [Text] [Beijing XINHUA in English 1221 GMT 2 Apr 87 OW] /12624

CSO: 4020/163

FOREIGN TRADE, INVESTMENT

BRIEFS

NEW TUNGSTEN EXPORT MEASURES--Recently MOFERT decided to adopt further measures to coordinate exports of tungsten ore and para-ammonium tungstate. The new coordinative measures include the following: The China National Nonferrous Metals Import and Export Corporation and the China National Metals and Minerals Import and Export Corporation will coordinate to conclude transactions with other countries to export tungsten ore and para-ammonium tungstate, the branch offices of these two corporations will be responsible for fulfilling the contracts, and other foreign trade companies will no longer export these products. We will establish a Tungsten Ore and Tungsten Products Exporting Association. The above measures will be begin to implemented on 10 February 1987. Tungsten ore is a raw commodity and one of the sensitive commodities on the international market. Trade in tungsten ore is essentially conducted according to prices on the London Metals Exchange. For some time now the price of tungsten ore has been declining, causing China to sustain economic losses. Public figures in the world of mining and foreign traders in China and several other nations, as well as some international organizations, have all expressed concern over how to raise the price of tungsten ore. China has already put permit supervision into effect, and under these circumstances has also adopted the above measures to safeguard the normal sequence for tungsten ore on the international market and spur prices to rise and stabilize. [Text] [By Jin Chu [7246 2806]] [Beijing GUOJI SHANGBAO in Chinese 18 Feb 87 p 1] 12510

CSO: 4006/364

FINANCE, BANKING

EDITORIAL ON TIGHT CREDIT POLICY

Beijing JINGJI RIBAO in Chinese 13 Feb 87 p 1

[Editorial: "Implement A Tight But Versatile Credit Fund Policy This Year"]

[Text] This year's credit policy is "tight but versatile": this policy is decided by the state in accordance with extraneous developments and changes in the economy.

In 1986 the state implemented a "steady but lenient" credit policy; credit funds were made available selectively to support the production and purchase of products in great demand, export goods which earn foreign currencies, and agricultural and sideline products, and to support the conversion of military productions into civilian productions, as well as to support horizontal economic integrations and to ease the tight supply of circulating funds and agricultural loans. The policy had outstanding effects especially on expediting financial structural reform, accelerating capital circulations, and promoting changes in the product-mix and adjustments in the industrial structure. Experience proved that last year's "steady but lenient" policy was a correct policy.

In 1987, because of changes in the economic and financial situation, the state has decided to adopt a "tight but versatile" credit policy, that is to say, credit will be tight and requirements will be stringent while attempting to stimulate funds through tighter controls. The intention is to stimulate the economy at the microeconomic level while enhancing macroeconomic control by controlling credit funds in accordance with the scale and credit policy stipulated by the state. "Tightness" and "versatility" must be integrated; both are necessary in order to stimulate the economy under tighter control and within the scope defined by the state plan; the objective is to be "tight" but not dead, and be "versatile" but not chaotic.

The reason the state is adopting a "tight but versatile" credit policy is because of excessive fixed asset investments in recent years and rapid increases in consumption funds. In order to vent the over-heated economy and control the inflated social demands the state must tackle capital funds and other resources. Credit is the state's important channel for gathering and distributing funds, and thus this is where the state will concentrate its efforts.

This year all sectors and all businesses will launch a total effort to increase production and reduce expenditure, increase revenue sources and reduce spending. The banks will implement the "tight but versatile" loan policy which emphasizes tighter control and better use of capital funds to improve the economic result of capital utilization; the objective is to control what should be controlled, and reasonably support what needs support, and to further promote efforts to increase production and reduce expenditure, increase revenue and decrease spending. At present, some enterprises are getting poor economic results which is reflected in their high depletion and low turnover of credit funds. This shows that there are potential capital funds which can be put to better use, and this is the objective basis for implementing the "tight but versatile" policy.

In implementing the "tight but versatile" policy efforts should be spent in several areas: one, treat the scale of fixed asset investment set by the state as a mandatory plan and keep the investments under control; use both direct and indirect measures to adjust and control the money supply and the availability of credit. Two, in extending loans for capital constructions consider the "three preservations and three cut backs," that is, preserve the planned projects and cut back on extra-plan projects, preserve the state's priority projects and cut back on nonessential projects, and preserve the productive projects and cut back on nonproductive projects. In extending loan for technological transformations, preference should be given to exports which earn foreign currencies, import substitutes, and the "import and digest" projects; the emphasis should be on supporting the transformation of the basic industries and limiting the processing industries. Third, in extending circulating fund loans, the emphasis is on supporting the production and purchase of highly marketable goods, export goods which earn foreign currencies, agricultural and sideline products; invigorate the large and medium-sized enterprises, and support horizontal economic integrations. Four, on the matter of circulating fund the rule is "more deposits means more loans" and "fewer deposits means less loans are available" thereby integrating the tasks of attracting deposits and extent loans. The central bank is not responsible for funding the specialized banks and the specialized banks do not have to finance the enterprises: the banks may choose their clients just as the customers are free to choose their banks.

As an important and versatile lever regulating the economy, the banks must adopt versatile policies to accomodate the objective needs of the economic development: a tight money policy may have to follow a lenient policy, and vise versa. This kind of flexibility enables the banks to be effective in introducing innovative techniques to help develop the economy, and enables them to support the steady and balanced economic development even more successfully.

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CSO:4006/451

### SHANGHAI'S COMPETITIVE BANKING BUSINESS

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 1 Mar 87 p 1

[Article entitled "Specialized Banks Cease To Maintain 'Separatist Rule': Fierce Competition Among Shanghai's Five Major Banks Creates Brisk Financial Market: 47 New Services Being Introduced, Obvious Improvements Seen In The Quality Of Services"]

[Text] According to the JIEFANG RIBAO report, this is the beginning of the end of the long time "separatist rule" of Shanghai's specialized banks. Since the second half of last year Shanghai's Industrial and Commercial Bank, the Bank of China, the Communications Bank, Constructions Bank and Agricultural Bank are offering similar kinds of services, and the emphasis now is on quality service and high business standard. Within the same line of business the banks are offering diversified services and the five contenders are competing fiercely. As a result the financial market in Shanghai is phenomenally active. According to the Industrial and Commercial Bank's shortterm capital market statistics, through interbank short-term lending and borrowing, bills discounting, and other activities, an additional 700 million yuan is being gathered and distributed every month, this equals 37 percent of all capital redistribution through the planned channels.

Traditionally the People's Bank was the leader of Shanghai's banking hierarchy, and it had the administrative functions. Among the specialized banks, the Industrial and Commercial Bank took care of the financial needs in the city, and most urban enterprises and institutions had accounts at the bank; the Agricultural Bank was responsible for funding Shanghai's suburban and county rural needs; the Bank of China was in charge of all foreign exchange operations; the Constructions Bank was in charge of capital construction and fixed asset investments. Because of the emphasis on specialization, if a bank which was open to the public ran out of funds, enterprises in that specific line of business could not apply for loans in another bank which was closed to the public, even if it had plenty of available funds. This rigid division of labor among the banks proved unfavorable to the development of enterprise productions and operations, and it countered the efforts to speed up capital circulations.

In order to stimulate Shanghai's financial sector, the municipal Industrial and Commercial Bank introduced a shortterm capital market last August and

broke down the barrier of specialized financing by the banks. The "rich" Agricultural Bank also participated in this capital market; cumulatively it collected and distributed more than 3 billion yuan. In October, the Communications Bank which offers composit banking services began operations in Shanghai on a trial basis. This further broke down the banks' so called "sphere of influence." And soon after that the banks' foreign exchange, savings and loan, and other services began to duplicate one another, and no bank has a "monopoly" in any one line of business. At the same time, the specialized banks are making every effort to introduce new services, and the financial market become very active as a result. Subsequent to the Industrial and Commercial Bank's local bond issues, the Constructions Bank took the initiative to float bonds on behalf of enterprises to finance priority projects; the Communications Bank went further and offered negotiable certificates of deposit in large denominations previous unheard of in mainland China. According to unoffical figures, last year Shanghai's five banks introduced 47 new services in the area of savings and loan and other services.

Overlapping services bring competition, and competition spurs the banks onto changing their attitude toward better services. In the past, the Bank of China's import-export department routinely rejected all documents containing errors; correcting and resubmitting the documents meant severral days' delay; nowdays, mistakes are automatically corrected by the bank. Since it began operations the Communications Bank has taken the initiative to seek out business instead of waiting for customers to come along: they have gone to the customers more than 700 times on a single-job in 2 months. Comrades from the Industrial and Commercial Bank, the Bank of China, the Constructions Bank, the Agricultural Bank and other banks have all joined the trend of seeking business at the grassroots.

Stiff competition among the five banks have raised their business standard. Last year, the Constructions Bank began using computers in four areas including accounting and settlement, and project investment budgeting, and their business standard has improved.

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FINANCE, BANKING

SICHUAN DEVELOPS NEW SOURCES OF FUNDS

Beijing JINGJI RIBAO in Chinese 9 Mar 87 p 2

[Article by Li Jiangatian [2621 3068 1131]: "Sichuan Refuses To Solicit Funds From the State Despite Shortages: Relying on Reform To Increase Capital Sources"]

[Text] Faced with acute shortage of capital funds, should the province constantly solicit funds from the state, or should it stimulate the flow of capital through reforms? Sichuan opted for the latter alternative. Last year Sichuan actively and boldly explored financial structural reforms and opened up new sources of capital funds.

In its initial departure from the tradition style of passively "waiting for funds, being dependent for fund, and having to ask for funds," Sichuan managed to increase its collection and distribution of capital by 37.78 percent over last year; various loan activities, financial leasing and investment activities increased 40.58 percent, and amid increases in loan activities, the degree of self-sufficiency in capital funds has increased from 43.4 percent to 67.8 percent in one year.

Sichuan has made sweeping financial structural reforms in four major areas:

One, the establishment of short-term capital markets. The specialized banks launched widespread short-term lending and borrowing of capital funds, and formed several trans-system, trans-regional financial networks with broad ramifications. In one year their short-term lending and borrowing totalled 6.7 billion yuan: in terms of the flow of funds, more loans are being sought than retired; in regional terms, more lending and borrowing is done within the province than outside the province. Market mechanisms is brought into the financial domain, and the credit funds are no longer vertically distributed or being rigidly allocated for local uses.

Two, the establishment of diversified financial institutions and networks. The province has set up 62 credit cooperatives in the cities, 29 independent trust and investment companies, 235 postal savings repositories, and close to 200 savings banks which are operated jointly by the banks and the enterprises. Rural credit cooperatives have also opened branch offices and credit stations, and as a result the saving and loan balances are 40.95 percent and 39.59

percent higher than in the beginning of last year. The establishment of diversified financial institutions facilitated the active gathering of funds and satisfied better the diverse need of funds in society.

Three, the increase in credit channels and means of credit circulations. Sichuan accumulated 1.4 billion yuan in capital funds during the past year by issuing bonds and extending special loans. The various specialized bank in the province experimented with the operator's contractual responsibility system among the 157 savings banks; they increased the categories of settlement transactions, and offered individual household and personal current accounts and checking services on a trial basis, and launched bills acceptance, discounting and rediscounting operations so as to increase the fund gathering channels and accelerate fund circulations and improve the financial services.

Four, the restructuring of the credit fund management system: programs are separated from funds and the system of total dependence on the central bank to finance programs has been abandoned; the power to control credit funds through "extending loans and attracting deposits" is devolved to the branches at the city and the prefectural levels; more lenient credit policies are implemented in the minority race districts: as a result local areas can gather and distribute funds more effectively, and the needs of horizontal economic integrations are more readily satisfied.

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FINANCE, BANKING

ASPECTS OF TAXATION DISCUSSED

Beijing RENMIN RIBAO in Chinese 23 Feb 87 p 5

[Article in column entitled Academic Trends by Han Shaozhao [7281 4801 0443]: "Brief Report On the National Symposium On Taxation Theories"]

[Text] Recently the Chinese Academy on Taxations convened a national symposium in Wuhan to discuss the following taxation theories and practices.

1. On the structure of the tax system: the participants feel that after several years of reforms China's industrial and commercial tax system has turned away from the singular system consisting mainly of the circulation tax and has adopted a compound tax system consisting of the circulation tax and the income tax, and integrated with other taxes: this is a major breakthrough in the structuring of a new tax system. However this system requires further reform and improvement before taxation can become rationalized and institutionalized so as to satisfy better the needs of the developments of the socialist commodity economy. The participants pointed out that tax reform requires an overall developmental strategy and an implementation program containing long-term, intermediate-term and short-term goals; it needs a strategic approach and requires consistent economic and financial policies in order to effectively revitalize the enterprises, promote productions, and nurture and expand financial resources. To make the present tax system more reasonable, uniformity, balance, fairness, accuracy, and simplicity must be emphasized. The reform should include the following aspects: adjust the structure of the circulations tax, increase the use of value-added tax, unify and standardize the income tax system; expand local control over local taxations; adjust and simplify the special purpose taxes, and explore the feasibilities of implementing a unified social security tax (levies).

2. On the issue of the income tax burden of the enterprises: some people feel that this tax burden should be reduced; others feel that at present some countries appear to be lowering the tax rate on enterprise income but in fact they are disallowing deductions and expanding the taxable base; some countries even make corresponding increases in the tax on circulations, and as a result, although the tax burden has shifted among the tax payers, actual taxes have not been reduced. In China, the maximum tax rate on enterprise earnings is 55 percent, but because of various deductibles such as pre-tax loan repayments the actual tax rate is about 46 percent for state-run enterprises, 32 percent

for collective enterprises, and 24 percent for small town enterprises; these rates are lower than those in many countries. Moreover, the state-run enterprises in this country receive gratuitous investment grants from the state and can tap all resources gratis, and in this respect we are different and the enterprises' tax burden should not be deemed excessive. However, at present the income tax system is not uniform, taxation is unbalanced, and some large and medium-size enterprises appear stagnant: in consideration for the need to smooth the relationship between the state and the enterprises, the tax system must be made more uniform, and a reasonable limit on income tax levies should be set to resolve the contradictions in the present system which is characterized by a high nominal rate but is riddled with numerous deductions and exemptions.

3. On the question of equitable taxation: this is not an incidental issue but is the inevitable consequence of the development of the planned commodity economy. Equitable taxation, reasonable burden, and differentiated treatments are interrelated but separate issues. Equitable taxation means equal tax payments under like circumstances: this is a prerequisite for enterprises competing under the same conditions. Reasonable tax burden emphasizes the reasonableness of the amount of taxes being levied. Differential treatment means utilizing the resilience of taxations to reflect policies of reward and restrain. The participants pointed out that several factors contribute to the inequities in taxation: because different economic factors embody different policies, the same tax payer may face many categories of taxes; irrational tax structure (duplicated tax levies, tax rates based on households) creates inequitable taxation; non-uniform financial system, irrational tax exemption and reduction policies, and unauthorized tax exemptions and reductions create inequality of tax burden among different products and enterprises, and so on. The participants agree that inequitable taxation is dangerous: it disparages the system of taxation; it destabilizes the state's source of revenue; it deprives the enterprises of the basis of equal competition, and causes taxation to lose its regulatory effect. Therefore in restructuring the tax system, serious emphasis must be placed on insuring equitable taxation and promoting competition.

4. On the question of the rural tax system: the major issue discussed at the conference is the incompatibility between the existing agricultural tax system and the situation created by the rural commodity economic development. Today some products are taxed first as general goods and again as special agricultural and forestry products while other products are not taxed because they are yet listed as taxable products. With the many new business entities such as hired workers, contractors, joint operators, and cooperative enterprises, tax policies and administrations have not kept pace with all the changes. Representatives at the symposium feel that rural taxation is a complete system in itself, and the reform of the industrial-commercial tax structure and the agricultural (animal husbandry) tax structure should be considered at the same time to formulate a unified reform program. Tax policies should have a sense of continuity by avoiding frequent changes, and there is a need to modify the unreasonable tax exemptions and reductions. The participants also suggested that rural taxation should be linked to the county and city budgets as well as township budget to stimulate local interests and strengthen the control and management of the rural tax revenues.

5. On the question of tax collection and administration: at present there are two problems: first, because of basic economic interests and since taxation has become the basic source of national revenue, the conflicts between individuals and the state, between different sectors and the economy as a whole, and between local and central economic interests are now focused on taxations. As differences over economic interests mount, and coupled with the deteriorating taxation measures, the conflicts have become more acute. Increasingly, the phenomena of tax evasion, tax fraud, obstruction of lawful tax collection, abuse of the tax exemption and reduction provisions, and arbitrariness in the distribution of funds to, or collection of funds from, the enterprises, have resulted in great loss of revenues and created financial problems: these gradually will become the factors which will hold back the restructuring of the economic system, and the loss of revenues will eventually inflate the accumulation and consumption funds. Therefore it is imminent that the legal system be strengthened, and taxation be given more legal capacity. To tackle the problem, besides improving the legal system, the present tax revenue administration system should also be restructured, and the intimate relationship between the various tax organizations should be untangled at the same time. The second issue is to expedite the formulation of a new scientific, effective and standardized tax administrations system: this includes standardizing the taxation procedure, modernizing the administrative measures, and mobilizing all social forces and relying on the people on tax matters, and eventually implement a system which allows the coordination and interaction of tax collection, auditing and inspections.

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INDUSTRY

GONGREN RIBAO REPORTS INDUSTRIAL SAFETY CAMPAIGN

OW070818 Beijing XINHUA in English 0648 GMT 7 Mar 87

[Text] Beijing, 7 Mar (XINHUA)--More than five million factory workers throughout China are now involved in an industrial safety competition, according to today's WORKERS' DAILY.

"Workers are conscientiously studying books, documents and regulations concerning safety," the paper said, adding that an "everyone-seek-safety" campaign is also being launched in Chinese factories.

Central departments and local authorities have attached great importance to the ongoing competition, according to the paper. Leaders of the metallurgical industry ministry, as well as China's leading industrial city of Shanghai, the Inner Mongolia autonomous region and Fujian Province are directing the competition.

The competition involves all workers at China's largest enterprises, such as the Anshan Iron and Steel Company in Liaoning Province, the Qilu Petrochemical Company in Shandong Province and the Changchun No. 1 Motor Vehicle Plant in Jilin Province.

"China's industrial production grew considerably in the first two months of this year over the same period in 1986, while the rate of accidents dropped substantially," the paper reported.

The competition is being sponsored by the State Economic Commission, the China central television station, the WORKERS' DAILY and other newspapers.

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CSO: 4020/163

INDUSTRY

NONFERROUS METAL PRODUCTION INCREASED IN 1986

OW071108 Beijing XINHUA in English 0841 GMT 7 Mar 87

[Text] Beijing, 7 Mar (XINHUA)--China's nonferrous metal industry last year achieved a 7.5 percent increase in output value and 15.65 percent rise in profit as compared with 1985, the China national nonferrous metal industry corporation said here today.

Output of the country's 10 major nonferrous metals-- aluminium, lead, zinc, copper, nickel, tin, antimony, titanium, magnesium and mercury -- was up seven percent over the previous year, and the output of 44 rare metals jumped 21.7 percent.

In 1986, the industry completed seven projects and started construction on 28 others. Of the 81 technical upgrading projects arranged for the whole year, 13 already has gone into operation.

Chinese geologists last year verified 2.67 million tons of nonferrous metal ore, the corporation said.

In addition, 15 important scientific findings were achieved, with 12 offered patent certificates, and 1,450 kinds of new materials were developed.

By the end of 1986, the industry was equipped with more than 2,000 computers for use in production control, data processing, geological surveys and engineering design.

Trade fairs for China's nonferrous metals were organized last year in Japan, Federal Germany, Hong Kong, Shenzhen and Guangzhou respectively. Export volume of the country's nonferrous metals was 270 million U.S. dollars in 1986, a rise of 72 percent over the previous year.

Over the past few years, the corporation said, China's nonferrous industry has imported from Japan, the United States, Federal Germany, Sweden and other countries large amounts of advanced technology and equipment for mining, smelting and processing.

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CSO: 4020/163

## INDUSTRY

### CHINA DAILY ON INVESTMENT IN NONFERROUS METALS

OW071102 Beijing XINHUA in ENglish 1030 GMT 7 Mar 87

[Text] Beijing, 7 Mar (XINHUA)--The increasing demands for the metals from the military, machine-building, packaging and other industries and large amounts of imports has made the Chinese government determined to invest heavily to boost metal production, today's CHINA DAILY reported.

China is making an unprecedeted move to boost its production of nonferrous metals, especially aluminium, lead and zinc. The move comes at a time when the central government is tightening upon capital construction.

The amount of investment in the industry in the next four years has not yet been revealed, but an official of the China National Nonferrous Metals Industry Corporation disclosed that overseas funds will be sought and technology and key mining and processing equipment will be imported.

"Heavy investment in the industry doesn't run counter to central government's tight control of capital construction because nonferrous metals are greatly in demand in China's economic development," the official said.

The government has designated the northwest and southwest regions key nonferrous metal production bases because the industry has a high energy consumption and the regions have abundant energy and mineral resources.

Currently, a lead and zinc smelting plant, the largest of its kind in China, is being built in the northwest's Gansu Province, costing more than one billion yuan (270 million U.S. dollars). The plant is expected to open before 1990, the official said.

Construction of six new copper, aluminium, lead and zinc mines and plants is being stepped up in Qinghai and Gansu Provinces and Ningxia Hui autonomous region. Production should also begin by 1990.

Renovation is under way in the three plants in the region, aimed at tapping the full potential and high efficiency of existing facilities.

In southwest China's Guangxi Zhuang autonomous region, the Pingguo aluminium plant, the largest of its kind in the region, is being prepared for construction. Foreign investment, advanced technology and equipment are to be imported.

Currently, China is spending "a large sum" of foreign exchange on importing nonferrous metals, mostly oxide aluminium, to meet increasing demands, the official said.

By 1990, China will be able to supply enough nonferrous metals for its economic development, as the present construction and renovation projects come into operation.

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## INDUSTRY

### LIAOWANG ON MACHINE-BUILDING INDUSTRY COMMISSION

HK140652 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No. 10, 9 Mar 87 p 1

[ "Letter from Beijing" by Bao Xin (7637 0207): "Setting Up of the Machine-building Industry Commission and Structural Reform" ]

[Text] Dear brother:

In the past few days, a noticeable matter occurred in Beijing's drive of structural reform; that is, the setting up of the State Machine-building Industry Commission. This shows the in-depth development of economic reform and represents an explorative effort to carry out political reform.

The machine-building industry is a big industry, which comprises more than a hundred thousand enterprises, including many war industry enterprises. The Ministry of Machine-Building Industry and the Ministry of Ordnance Industry formerly had a total of over 3,480 workers. After they were amalgamated into the State Machine-building Industry Commission, the total workers have been reduced to 1,000 and offices at the departmental and bureau levels from 53 to 27.

After the amalgamation of the two ministries, administration is simplified and the number of staff is reduced. Then what is the basis of the amalgamation? That is the strong sense of carrying out reform. When the 6th NPC Standing Committee passed the resolution on abolishing the Ministry of Machine-building Industry and Ministry of Ordnance Industry and establishing the State Machine-building Industry Commission at its 18th session last year, Premier Zhao Zhiyang pointed out that the task should be achieved in the spirit of reform.

Overlapping and overstuffed administrations crammed full of superfluous personnel, low work efficiency, and severe bureaucratic style of work are age-old malpractices in our government leading organs. The reform that Zhao Zhiyang referred to means paving a way to the elimination of these age-old malpractices through the setting up of the State Machine-building Industry Commission.

The main content of the reform is to change functions of government offices and the methods and means of management. The change of functions first requires a change from direct management of enterprises to macroeconomic control. In the past many large enterprises were directly under the leadership

of the Ministry of Machine-building Industry and Ministry of Ordnance Industry and the ministries had to concentrate their major efforts on handling concrete problems involving production and management of these enterprises. The higher authorities can hardly handle these concrete problems, which are matters just as Deng Xiaoping described that government offices ought not handle and cannot handle well. At the same time, they also neglected the macroeconomic planning and management of the entire industry. Now, enterprises of civilian machine-building industry have been put under a lower administrative level, and the State Machine-building Industry Commission mainly frames the strategy and planning for the development of the industry; formulates principles, policies, and laws and regulations; introduces the system of separating government from enterprise functions; and concentrates on macroeconomic rather than microeconomic activities. The commission is also required to envisage well-grounded ideas for developing, designing, and manufacturing products in an all-round way in accordance with different engineering systems so that it can deal with problems that government organizations must handle.

In terms of management methods, the commission exercises indirect control over enterprises instead of previous direct control, and it does not follow the previous practices of issuing orders and pushing production targets but renders helpful service to enterprises and helps them surmount difficulties and resolve complicated problems.

The amalgamation of the Ministry of Machine-building Industry and the Ministry of Ordnance Industry into the state Machine-building Industry Commission provides favorable conditions for war industry enterprises to produce products for civil use through unified readjustment of strength so that technology of the war industry can be fully used and the policy of combining war production with civilian production can be thoroughly implemented.

In a word, just as the head of the commission said, its setting up will help draw up unified planning for the development of the industry step by step and introduce a new system of coordinated development. This will also create new experiences for the all-round reform.

Yours,

[Signed] Bao Xin

[Dated] 4 March 1987

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## INDUSTRY

### STATE COUNCIL GROUP INSPECTS STEEL ENTERPRISES

OW060513 Beijing XINHUA Domestic Service in Chinese 0809 GMT 4 Apr 87

[Text] Beijing, 4 Apr (XINHUA)--The inspection group organized according to a State Council decision has set out to visit some major iron and steel enterprises to supervise them in fulfilling the state's mandatory plan on distributing rolled steel and on pricing.

The inspection group is composed of more than 60 cadres from the State Economic Commission, the State Machine Building Commission, the Ministry of Metallurgical Industry, the State Bureau of Materials and Equipment, and the State Administration of Commodity Price. The group is divided into eight teams with each team led by a responsible person. The teams will separately visit a total of 16 iron and steel enterprises including the Anshan Iron and Steel complex, the Wuhan Iron and Steel Company, the Baotou Iron and Steel Company, the Taiyuan Iron and Steel Company, the Panzhihua Iron and Steel Company, the Chongqing Iron and Steel Company, the Shoudu Iron and Steel Company, the Benxi Iron and Steel Company, the Fushun Iron and Steel Company, the Tanshan Iron and Steel Company, and the Maanshan Iron and Steel Company to carry out inspection and supervision work.

Not long ago, a leading comrade of the State council pointed out: It is necessary to check the amount, variety, and prices of materials marked for centralized state distribution. First of all, we must start from rolled steel. For this purpose, the General Office of the State Council and the State Economic Commission held a joint meeting to work out a specific plan to dispatch an inspection group to visit the various iron and steel enterprises.

At the meeting, Zhu Rongji, vice minister of the State Economic Commission, explained the State Council decision made in this regard. Chen Junsheng, secretary general of the State Council, emphasized the significance of checking and supervising the implementation of the state plan of the centralized distribution of rolled steel. Those attending the meeting analyzed the contradictions between supply and demand of rolled steel and other materials marked for centralized state distribution. They held: Currently, many enterprises fail to go all out to implement the state plan. They also try to increase prices in various forms, thus increasing production costs in other fields and the burden of other enterprises. Firm measures must be adopted to prevent this.

## INDUSTRY

### BAOSHAN STEEL COMPLEX 'STEADILY' RAISES OUTPUT

OW061334 Beijing XINHUA in English 1310 GMT 6 Apr 87

[Text] Shanghai, 6 Apr (XINHUA)--The Baoshan Iron and Steel complex near Shanghai, the largest imported project in China, has steadily raised its output and improved the quality of its products since it began operating on its own a year ago.

Li Ming, director of the works and concurrently vice-minister of metallurgical industry, announced that Baoshan's output of pig iron, steel ingots and billets in the first quarter of this year was 38, 67 and 63 percent higher than the figure for the same period of last year before the Japanese experts left.

The consumption of coke by its blast furnace and or iron and steel materials by its converter are lower than the designed norms, and the blast furnace is producing a daily average of 2.1 tons per cubic meter of its volume, compared to 2.01 tons as designed.

"These are the best technical indexes for China's iron and steel industry," Li Ming said.

"There is no need to worry about our ability to run the mill," Li said.  
"We have proved to be able to do it without foreign experts."

"The complex is new and we need time to improve our management so that every part of it will become the best in China," he said. "Nevertheless, the first step we have taken is a success."

Of the 22 imported projects in the works, all but the seamless tubing mill have gone into operation since September 1985. And before March 1986, the complex operated under the guidance of some 500 Japanese experts.

Now it is producing 84 steel products, and some fill in the gaps in China's iron and steel industry, Li said.

The complex has 25,000 employees, of whom two-thirds are young people. The mill has organized 8,000 workers to participate in equipment installation and trial operation to get familiar with the machines, Li said.

Thousands of workers were sent to study in a number of larger iron and steel complexes and more than 1,000 technicians were sent to practise abroad.

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CSO: 4020/163

INDUSTRY

INVIGORATE STEEL MARKET, REDUCE OVERSTOCKING URGED

Beijing RENMIN RIBAO in Chinese 15 Mar 87 p 2

[Article by XINHUA reporters Yang Jisheng [2799 4949 4939] and Shen Zunjing [3947 1415 2417]: "Improve Steel Market, Reduce Overstocking; Make All Departments Put Their Temporarily Unneeded Steel on the Market To Help Supply Each Other's Needs; It Is Crucial To Ensure That Consumers Can Buy Urgently Needed Steel at All Times; a Flexible and Flourishing Steel Market Must Be Established for This Reason"]

[Text] A contradictory phenomenon now exists in China's steel supply and demand situation: steel reserves have risen sharply, while prices have remained high. Is there actually an excess or a shortage of steel? If there is a shortage, why are there so many reserves? And if there is an excess, why have prices not dropped?

After China's steel reserves rose sharply in 1985, they again increased 21.8 percent in 1986. Most of them are usable and some are even imported. Utilizing one-fifth of the available reserves would be equivalent to building a new Anshan Iron and Steel Co, and substituting one-fifth of them for imports could save almost \$2 billion in foreign exchange. Thus, effective utilization of steel reserves is a major aspect of our current campaign to increase production and practice economy.

We recently interviewed personnel in steel production, supply, and utilization departments. They almost unanimously agreed that the basic cause of the consecutive annual steel reserve increases is that circulation has been sluggish, and that the key to invigorating it lies in establishing a steel market.

The figures provided by responsible departments show that most steel reserves are stored in utilization departments, which accounted for 72 percent of the increased reserves in 1986. There are only two major reasons why all of these individual departments have set up storehouses; first, there is no flexible steel market that can supply promptly, and communication between enterprises is poor, forcing them all to increase their stockpiles for emergency needs; second, there is more than a 100-percent difference between current steel market prices and planned prices, and planned steel quotas are assigned by bureaucratic, administrative methods. Utilization departments have adopted a mentality of "even if it cannot be used, it is still worth having to trade with

others," and feel that the higher their assigned quotas the better. Those steel varieties that are in short supply are particularly vied for by all. The resulting situation of "the shorter the supply the more vied for, and the more vied for the shorter the supply" has caused a lot of steel to flow into the warehouses of all individual departments, and prices have remained correspondingly high. Under these conditions, the state of the market has been very unclear, with even responsible departments finding it hard to correctly assess the real condition of steel supply and demand.

Making all departments put their temporarily unneeded steel on the market to supply each other's needs would be an effective way to reduce overstocking. But in order to accomplish this, it will first be necessary to relieve consumer's anxieties and ensure the following: first, consumers must be able to buy urgently needed steel at all times; second, as long as dual prices coexist, consumers must not suffer losses when buying or selling. The state has taken the following stand on the second point: regardless which price steel is bought at, it can be sold without exception at the market price, and the resulting income will be tax-exempt. But in order to accomplish the first point, a flexible and flourishing steel market must be established to replace all individual department reserves. This will necessitate reform of the management system and gradual transformation of dual prices into a uniform market price. Such cities as Shijiazhuang, Shanghai, Shenyang, Tianjin, Wuhan, and Xian have now initially opened steel markets, demonstrating their important role in invigorating steel circulation. Many comrades recommend that the experience of these cities should be summarized, reform of the goods and materials supply system should be further intensified, and the steel market should be invigorated. During the transition period prior to the establishment of a perfected steel market, certain flexible steps can be taken, such as setting up steel shops, to enable valuable steel to move from its current position in individual department warehouses into China's factories and construction sites.

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CSO: 4006/459

INDUSTRY

METALLURGICAL CONSTRUCTION CORPORATION EXPANDS

OW282342 Beijing XINHUA in English 1554 GMT 28 Mar 87

[Text] Beijing, 28 Mar (XINHUA)--China's metallurgical construction corporation had signed 222 contracts with foreign firms by the end of 1986, involving 350 million U.S. dollars.

Lin Zhouwu, the corporation's deputy president, told XINHUA today his corporation has completed projects worth 150 million U.S. dollars since its establishment in 1982.

He said that the contracted projects were mainly geological exploitation, oil pipe welding for foreign factories or companies. The corporation sends abroad laborers, martial arts teachers and cooks, as well as engineers.

The corporation has set up agencies in the United Arab Emirates, Iraq, the Philippines, Bolivia and Yugoslavia, and joint cooperation companies in Thailand, Japan and Nigeria. It also runs the Nanhua International Engineering Company Ltd in Hong Kong, according to Lin. Its business services has now been expanded to more than 30 countries.

"By strictly respecting contract terms, assuring product quality, working for minimal profits and upholding professional ethics, my corporation is successful in winning bids," Lin Zhouwu said.

The corporation earned the "International Commerce 1985" award from Spain and the 6th International Technology trophy from the United States.

Lin said that his corporation has signed contracts worth a total of 40 million U.S. dollars so far this year.

In the future, the corporation will concentrate on the export of equipment and techniques rather than labor, and will continue to expand cooperation with foreign enterprises to broaden business contacts, the president added.

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## INDUSTRY

### CHINA DAILY URGES INDUSTRIES TO MAKE USE OF WASTE

OW060902 Beijing XINHUA in English 0902 GMT 6 Mar 87

[Text] Beijing, 6 Mar (XINHUA)--More than 25 billion yuan (6.7 billion U.S. dollars) worth of useful materials are going down the drain each year in China due to lack of recycling, CHINA DAILY reports today.

The power industry, while crying out for fuel, is losing seven billion kwh. Each year through wasting usable low-grade coal, the paper said.

Similar wastage are also seen in the textile, metal and light industries, which throw away millions of tons of reclaimable solid, liquid or powder materials every year, according to a spokesman for the comprehensive production bureau under the State Economic Commission.

China has to continue importing timber because of its limited forest resources but the state forestry network is each year throwing away more than 16 million cubic meters o. timber during wood-processing, with a recycling rate of only 10 percent, the spokesman said.

A similar waste of raw materials in the paper-making industry is costing an extra 100 million U.S. dollars in foreign exchange to import half a million tons of caustic soda, "which could have been saved through recycling," he said.

The lack of recycling has, moreover, brought the country an additional burden by setting aside more and more useful land for stockpiling waste materials, said the paper.

More than 400 million tons of industrial waste and slags take up 60,000 hectares of land annually, "resulting in more losses to the country's agriculture," the spokesman said.

On top of that, pollution by the piles of industrial waste is causing more and more damages to surrounding areas, incurring an estimated loss of nearly 10 billion yuan (2.7 billion U.S. dolalrs) every year, the spokesman added.

To encourage industrial recycling, the state council has, since 1985, adopted a set of regulations giving awards and tax benefits to factories which use recycled raw material.

"However, these measures have not produced the desired results, because no fund was specially provided for the awarding system," said the spokesman.

The comprehensive production bureau is now working on a set of more effective rules, giving preference in both funding and tax concession to enterprises using recycled materials, he said.

"We can adopt the regulations, but grassroots units and individuals must carry them out," said the spokesman. "We should inform people from all walks of life to hand in waste materials, such as old tooth-paste tubes and batteries."

Advanced technology, trained workers and efficient management were needed to make full use of waste materials, he added.

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## INDUSTRY

### BRIEFS

CITIES BOAST HIGH INDUSTRIAL OUTPUT--Beijing, 10 Mar (XINHUA)--Reports from all parts of China show that 20 Chinese cities boasted industrial output value over 10 billion yuan (2.7 billion U.S. dollars) in 1986. The combined industrial output value of these cities was 400 billion yuan (108 billion U.S. dollars), and made up over one-third of the total national figure for 1986. Shanghai led the nation with output value of 90 billion yuan (24.3 billion U.S. dollars), followed by Beijing registering 34 billion yuan (9.2 billion U.S. dollars). Shenyang, Guangzhou, Wuhan, Nanjing, Chongqing and several other big cities generated industrial output value of 11 to 19 billion yuan (2.9 to 5.1 billion U.S. dollars). All these cities attributed the successes to the introduction of the factory director responsibility system and the efforts to set up several types of industrial groups to link similar factories and establish contacts with other provinces and regions. These 20 cities also reported marked increases in the exports of garments, cotton cloth, silk, traditional Chinese medicine, sewing machines and textile machinery. [Text] [Beijing XINHUA in English 1034 GMT 10 Mar 87 OW] /12624

SILK CORPORATION UNDER TEXTILE MINISTRY--Beijing, 9 Mar (XINHUA)--The state council, China's highest governing body, has decided to transfer the management of the China Silk Corporation over to the Textile Industry Ministry. Addressing a national silk conference that opened here today, Textile Industry Minister Wu Wenying described the new government move as an "important reform measure" to boost China's textile exports and called on Chinese silk workers to try their best to do so. Earnings from silk exports came to 1.13 billion U.S. dollars last year, one-sixth of the hard currency earnings from the country's entire textile industry, she told the conference, adding that China furnishes half of the world's silk output. She said: "I think we will certianly be able to markedly expand silk exports, so long as we try hard to improve quality, increase variety and color, and vigorously promote sales." [Text] [Beijing XINHUA in English 1440 GMT 9 Mar 87 OW] /12624

HAO JIANXIU PRAISES TEXTILE INDUSTRY--At yesterday's meeting on increasing production and income and practicing economy, the Shanghai Municipal Textile Industry Bureau set a goal of earning 100 million yuan more in profits than originally planned and earning \$1.8 billion in foreign exchange through export, or \$100 million more than originally planned this year. Comrade Hao Jianxiu appreciated this goal set by the Shanghai Municipal Textile Industry Bureau very much. She wrote: "The goal is inspiring and the measures are proper and effective. I hope you will work with one mind and one heart and spare no effort to achieve the goal and make the first firm step in bringing about the comprehensive development of Shanghai's textile industry." In order to achieve this year's goal, the textile industry bureau will pay attention to cotton yarn and fabric output, electricity consumption, and earning more profits. It will also pay attention to studying the new situation, developing new products, and exploring new methods. [Excerpt] [Shanghai JIEFANG RIBAO in Chinese 25 Feb 87 p 1 OW] /12624

CSO: 4006/545

## AGRICULTURE

### SPRING PLOUGHING TOTAL ACREAGE INCREASES

OW071640 Beijing XINHUA in English 1506 GMT 7 Mar 87

[Text] Beijing, 7 Mar (XINHUA)--Spring ploughing is gaining momentum throughout China, with farmers beginning to prepare and transplant rice seedlings and those in the central and north China busy with watering and field management of wheat.

According to the statistics from related departments, the total acreage planned for farm crops is 1.3 million hectares more than last year, and the water conservation and irrigation projects completed last winter and this spring numbered 270,000, which are expected to increase irrigation or improve irrigation facilities on 863,000 hectares and free another 53,000 hectares from flooding.

The acute shortage of fertilizer, diesel oil, and plastic films for farm use and farm chemicals has been eased, thanks to the increase in import and improvement in the transportation and supply work.

All places have attached much importance to grain production this year by increasing input of investment and materials.

Authorities of south China's Guangdong and Fujian provinces, which have to ship in grain from other parts of the country ever year, have appropriated a large sum for grain production and adopted a number of preferential measures to encourage peasants to grow grain crops in a bid to achieve self-sufficiency in grain supply. The grain short regions, such as Guangxi, Yunnan, and Guizhou, have expanded acreage for high yield crops while making great efforts to increase the output of low yielding land.

East China's Jiangsu Province, which has put forward the slogan of striving for steady grain increase and for a grain output averaging 500 kg per person, have set aside from local revenue 20 million yuan for improving agricultural production conditions and another 65 million yuan for building commodity grain production centers. The rural industries in the province also raised 300 million yuan to set up an agricultural service system covering plant protection, irrigation and farm machines.

Central China's Henan Province, which has suffered grain output drop for 3 consecutive years, has put greater emphasis on grain production in order to ensure a better harvest this year.

The Agricultural Bank of China issued bonds at the beginning of this year in order to increase loans to farmers. According to statistics of nine provinces including Hebei and Shanxi, the bank's loans to agriculture amounted to 27.3 billion yuan, 20 percent more than last year.

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AGRICULTURE

RURAL TECHNICAL SOCIETIES HELP COMMODITY ECONOMY

OW040742 Beijing XINHUA in English 0642 GMT 4 Mar 87

[Text] Beijing, 4 Mar (XINHUA)--China has more than 72,000 societies in its rural areas that specialize in all kinds of techniques required, GUANGMING DAILY reports today.

These societies have contributed to developing rural commodity economy and help readjust the agriculture structure, the paper added.

Formed by peasants, the paper said, most of these societies emerged in the countryside some 4 years ago when they concentrated on sharing each other's experience in farming and sideline production.

According to the report, they have expanded in recent years to organize researches of agrotechniques, cooperative services and the training of agrotechnicians under professional guidance.

In some parts of the country with developed commodity economy, these peasants' societies have turned themselves into entities that can undertake whole projects and provide technical personnel, funding and technical services at the same time, the paper added.

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CSO: 4020/162

AGRICULTURE

NATIONAL IRRIGATION AREA IN 1985 REPORTED

Beijing ZHONGGUO SHUILI [CHINA WATER CONSERVANCY] in Chinese No 3, 15 Mar 87 p 29

[Text]

[Please see next page]

Province, City, Region	Total		Irrigated Greater 500,000	Areas Than mu	300,000- 500,000 mu		100,000- 300,000 mu		10,000- 100,000 mu	
	Number	Irrigated area	No.	Irrigated area	No.	Irrigated area	No.	Irrigated area	No.	Irrigated area
Total	5,281	31,166	71	8,994	66	2,505	158	7,189	4,686	12,478
Beijing	36	314	1	50	4	141	1	29	30	94
Tianjin	40	81							40	81
Hebei	154	1,483	4	566	2	88	23	380	125	449
Shanxi	154	940	1	132	5	195	14	207	134	405
Nei Mongol	196	1,521	2	697	3	122	15	252	176	450
Liaoning	106	668	1	81			27	394	78	193
Jilin	112	372			1	30	6	85	105	257
Heilongjiang	198	558			1	35	3	33	194	490
Shanghai										
Jiangsu	228	1,690	3	182	6	208	47	788	172	512
Zhejiang	191	911	2	163			18	330	171	418
Anhui	338	1,747	5	800			14	222	319	725
Fujian	115	371			1	38	7	121	107	212
Jiangxi	208	711	1	88			13	201	194	422
Shandong	453	2,395	4	506	4	158	43	674	412	1,057
Henan	177	1,565	6	567	5	200	21	342	145	456
Hubei	267	2,875	11	1,101	7	256	50	829	199	689
Hunan	348	1,566	2	173	7	280	15	258	324	855
Guangdong	353	1,483	3	344	1	32	17	225	332	882
Guangxi	292	1,050	1	69	3	104	12	180	276	697
Sichuan	275	1,703	3	969			9	141	263	593
Guizhou	42	76							42	76
Yunnan	154	376					3	33	151	343
Xizang										
Shaanxi	125	1,223	5	753	1	45	8	138	111	287
Gansu	148	953			4	156	25	433	119	364
Qinghai	59	159							59	159
Ningxia	25	390	2	327			2	28	21	35
Xinjiang	477	3,985	14	1,426	11	416	65	866	387	1,277

CSO: 4006/547

## AGRICULTURE

### PROPOSAL FOR URBAN VEGETABLE PRODUCTION, MARKETING

Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMY] in Chinese No 9, Sep 86 pp 47-50

[Article by Song Haiming [1345 3189 2494], Economic Regulatory Bureau, State Planning Commission: "Some Problems In Perfecting the Urban Vegetable Production and Marketing System"]

[Text] In 1986, all the large and medium size cities in the country reformed their centralized procurement and exclusive marketing system for vegetables, some of them completely loosening production and marketing controls, some of them both controlling and loosening, and some "controlling much and loosening little," thereby bringing about a brand new situation in vegetable production and supply. The opening wide of the "city gates" and the unclogging of channels brought into play the laws of value with the result that the varieties of vegetables available in urban markets increased, quality rose, purchases could be made easily, the administration and management of state-owned businesses improved, and farmers markets were extraordinarily lively. Practice has shown the road of reform to be a correct one, that the trend of development is good, and that further study and perfection are required. Nevertheless, some problems that were difficult to avoid and predict also showed up during reform. They were manifested primarily in the following ways: One was a decrease in both the vegetable field area and the marketing of vegetables in some suburbs. In some cases vegetable farmers became lax about vegetable field care or even abandoned farming to go into industry. A second was the sudden drop in the amount of business done by state-owned businesses, a curtailment of supply outlets, and a loss of control over the market for a time. A third was the rocketing of vegetable prices in some cities, with some small retailers taking advantage of the situation to jack up prices, which aroused intense dissatisfaction among the populace. A fourth was that efforts by some cities to bring down vegetable prices and even out supplies by bringing in vegetables from other places resulted in an increase and no decline in state vegetable price subsidies to companies in charge.

In view of the foregoing problems, we feel that that the current vegetable production and marketing system has to be improved and perfected, and that both economic and administrative measures must be applied to the establishment of a more rational and more realistic production pattern to bolster the building of vegetable production bases; policies regarding the distribution of

income should be appropriately modified; full use should be made of the leading role of state-owned businesses for further improvement of the existing distribution system and facilities; and vegetable market control and supervision should be enhanced. In addition, large and medium size cities should genuinely strengthen leadership in vegetable work, apply various economic policies, and provide overall direction to vegetable production and marketing.

### 1. Active Promotion of Steady Growth in Vegetable Production

a. Establishment and Consolidation of Vegetable Production Bases. Given the commodity nature of vegetables and the existing facilities for vegetable distribution, every large and medium size city, and particularly every large city, should adhere to a policy of "the suburbs first" in vegetable production. At the same time, they should develop second and third string production bases in a planned way in the far out suburbs, in neighboring counties and in other provinces where varieties of vegetables may be grown that will withstand storage and transportation and that will provide vegetables during the otherwise slack season in vegetable production, forming a pattern in urban vegetable production of "taking the close-in suburbs as the key link, the far out suburbs being ancillary, and other areas being supplementary.

Industrial sideline occupations have seen very rapid development in the suburbs, and in townships and towns during the past several years, accounting for an increasingly high percentage of both output value and per capita earnings of the workforce. By comparison, earnings from the growing of vegetables have been obviously too low. This is an inherent factor in the serious flight of the workforce from vegetable fields. This plus the takeovers of land to build cities, township and town enterprises, and commune member dwellings has shrunk vegetable production in the close-in suburbs. Stabilizing the vegetable field area at its present level is fundamental in assuring supplies of vegetables to cities. The following specific measures are proposed in order to do this: 1) All cities must follow the principle of producing slightly more than is marketed when designating the vegetable field area. They must also build a number of new vegetable fields each year to take care of the needs of urban population growth. 2) Fields designated for the growing of vegetables should be made a part of urban construction master plans, becoming perpetual vegetable production bases. Vegetable field files should also be established for units contracting production. Use certificates might also be issued to vegetable growers. These certificates should provide for long-term land use in order to encourage vegetable growers to increase their investment in the land instead of allowing vegetable fields to go out of cultivation, be sub-contracted, be rented, or be diverted to uses other than the growing of vegetables. 3) When vegetable fields have to be condemned for important national construction projects, approval of the municipal people's government should be required. Takeovers of vegetable fields for township and town enterprises and for commune member dwellings could be done only with the approval of the district (or county) people's government. When vegetable fields are taken over, the principle should be followed of replacement first and takeover later, no replacement no takeover, and a fee for the building of new vegetable fields should be paid in addition. 4) Planned development of

second and third string production bases. When selecting sites, attention should be paid to the climate, soil suitability and access to transportation. There should be a gradual transition from a production pattern of "local production for local supply" to "dispersed production for centralized supply."

b) Flexible application of various differential price policies. Prices are a technique for regulating the distribution of benefits, and they are also a most sensitive economic lever. Vegetables are a major non-staple food affecting the daily life of city and town residents; consequently, if only price increases are employed to increase the earnings of vegetable growers, the daily livelihood of city and town residents and social stability will certainly be adversely affected. Thus, the overall principle to be followed in price reform is not to raise vegetable prices too sharply. For this reason, in setting future prices for vegetables, emphasis should be placed on the application by state-owned businesses of various differential price policies to guide vegetable production and to increase the earnings of vegetable growers. For example, seasonal price differences may be used to encourage vegetable growers to expand the growing of vegetables in slack seasons and their storage by the people. Price differentials for different kinds and grades of vegetables may be used to encourage vegetable growers to produce premium quality, readily marketable vegetables.

c) Continued perfection of the policy of "using industry to subsidize vegetables," for the gradual building of a vegetable production support fund system. In certain places having requisite conditions today, vegetable production is subsidized out of township and town industrial sideline profits. Though this system of "using industry to subsidize vegetables" plays a definite role in spurring the development of vegetable production, from a long-range point of view some problems still exist. In order to link subsidies and vegetable production and increase the effectiveness of subsidies, we feel there should be further study of just how to make a gradual transition from spotty use of subsidies to use everywhere. As circumstances in individual jurisdictions warrant, the policy of tax reductions for township and town industrial sideline occupations should be phased out, and the newly obtained tax revenues should be used as a fund for improving existing vegetable fields and also be combined with other subsidies obtained by "using industry to subsidize vegetables" to set up a vegetable production support fund for use primarily in the capital construction of vegetable fields, for scientific research on vegetables and promotion of techniques (including services in providing seeds, seedlings and plant protection), assistance in providing disaster relief, providing materials for vegetable field production, and for bonuses to vegetable field workers, etc. A corresponding fund organization should be established with responsibility for drawing up concrete implementation plans and policies.

d) Use of preferential supply policies to encourage commodity production of vegetables. Practice has shown that continuance of a preferential supply policy toward vegetable growers will help stabilize vegetable production in the close-in suburbs, accelerate the building of bases, and stabilize vegetable prices. The linking of vegetable prices to grain prices and of vegetable prices to coal prices currently practiced by some large and medium size cities, which has assured fulfillment of state contract quotas, provides

a lesson from which all jurisdictions can learn. The very rapid expansion in recent years of vegetable production on protected land in close-in suburbs has played a very large part in balanced production and balanced marketing of vegetables; however, the shortage of various kinds of materials needed for vegetable fields and a rise in their prices has hurt enthusiasm for vegetable production. Consequently, it is suggested that these vegetable field supplies be made a part of city plans. Each city should further study in terms of its own needs the supply of materials used in vegetable fields such as chemical fertilizer, pesticides, glass, plastic sheeting, framing materials and coal, required for vegetable production and marketing. They should study how to both reduce vegetable growers production costs while increasing their income and insure fulfillment of state contract quotas.

e) Encouragement to vegetable growers to establish various kinds of partnerships and cooperative organizations. Currently, quite a few suburbs are contracting vegetable fields to individual households, and this has played a very great role in increasing vegetable grower enthusiasm for production. To a certain extent, it has also ameliorated market supply problems during the slack season in vegetable production. At the same time, however, some new problems have also appeared. One is an increase in the difficulty of state-owned businesses' procurement work; a second is the limitations of most vegetable growers' labor, which means they cannot both grow and sell vegetables. To a very great extent, they must rely on individual small retailers. to sell the vegetables they grow, but inequities in earnings have produced a situation in which it is more profitable to sell vegetables than to grow them. This situation has confronted suburban vegetable growers with new combinations and divisions of labor.

f) Founding and perfecting a vegetable commodity production service system. The establishment of a vegetable commodity production service system is a necessity in the building of a commodity economy. As rural system reforms have become more pervasive in recent years, various kinds of production responsibility systems have been instituted in suburban vegetable growing areas, some of them contracting production with teams, some of them with individual workers, and some of them with households. It has thus become particularly important to enhance services provided before, during and following production. We recommend that each city might study in terms of its own needs just how to use its vegetable production support fund organization as a basis for operating various kinds of service companies that provide technical services, information services, supply services, and marketing services to vegetable growers, thereby strengthening the ties between production and scientific research, between production and materials supply, and between production and market sales. At the same time, the business of insuring vegetable production should develop gradually. Vegetable production is pretty much at the mercy of the natural elements and is very risky. To a certain extent, this keeps vegetable growers from increasing investment in production. Thus, expansion of vegetable production insurance would help stabilize the development of vegetable production.

## 2. Improving the Existing Distribution System Making Full Use of the Leading Role of State-Owned Businesses

Once the vegetable production and marketing system has been reformed, the leading role of state-owned businesses will be strengthened rather than weakened.

The volume of business controlled by state-owned businesses only lays a foundation for regular supply of vegetables to cities, but success or failure in improving the vegetable distribution system will be determined by improvements in the state-owned business system itself. Were it otherwise, the guiding role of state-owned business would continue to be founded on low efficiency and high losses as well as constantly mounting state subsidies out of public revenues. Therefore, so long as state businesses are guaranteed a definite percentage of the market, further research should be done on how to improve the state-owned business distribution system to energize the inherent dynamism of state-owned business enterprises. Faced with new circumstances, state-owned businesses must do a good job of reforms in the following several regards.

a. Establishment of marketing channels centering around vegetable wholesale markets (alternatively known as wholesale centers), changing the compartmentalization brought about by the old system, and substituting an open distribution system in which service is paramount for the former distribution system in which allotments were paramount, bringing into being a multi-channel distribution fan centering around vegetable wholesale markets that radiates to production areas (including both local ones and those located elsewhere) and to marketing areas (including state-owned enterprises, collective businesses, official government bodies, and individual small retailers). Vegetable wholesale markets should help producers and marketers meet face to face and conclude deals freely; they should help state-owned businesses exercise control and provide guidance, using price subsidies and materials supply to protect the interests of both consumers and producers. Vegetable wholesale markets should emphasize service above all, doing a good job in providing transportation, storage, processing and packaging, supply of materials, acting as a commodity purchasing agent, and providing eating and sleeping facilities. Wholesale markets should also operate various kinds of consulting services and set up needed information networks for the collection, transmittal, collation and feedback of production, performance and consumption information in order to provide accurate and effective guidance for the procurement and marketing activities of enterprises. They should forecast market supply and demand and price change trends, and they should provide both producers and business people with data for making decisions, becoming hubs for urban vegetable production and marketing.

b. Reform of state-owned business administration and management, and establishment of a vegetable market regulatory fund. In the course of reform, state-owned business must maintain a separation between politics and business; they should enable wholesale and retail enterprises to become both business enterprises that independently account and are responsible for their own profits and losses in which the enthusiasm of the broad masses of staff members and workers is aroused to the full, and that can function as the main

channels for supplying vegetables to cities. In order to do this, a distinction must be made between business losses and losses resulting from policies. For a long time, state-owned vegetable companies have permitted a situation in which enterprises eat out of the national large common pot, and staff members and workers eat out of the enterprise's large common pot. The burden of subsidies borne by the state has become increasingly heavy. Unless this state of affairs is completely changed in the new circumstances following reform, state-owned businesses will be unable genuinely to tap the inherent dynamism of enterprises and of staff members and workers. Nor will it be possible to make the most of the guiding role of state-owned businesses. State subsidies to operating units that are made for policy reasons are necessary in order to insure regular supply of vegetables to cities. Any assessment of their utility should not be on grounds of the amount; instead, they should be judged in terms of their microeconomic utility and macroeconomic social benefit. The goal in keeping state subsidies made for policy reasons separate from the results of business performance is to apply a certain amount of pressure on state-owned business enterprises to spur them to reform their own organizations for more effective use of state subsidies. In this regard, we propose the following for the reference of all cities. We propose that subsidies made for policy reasons be divided into three categories in which the main portion is used to establish a vegetable market regulatory fund for use by state-owned vegetable companies in distributing supplies during slack and peak production periods in order to even out market prices. The second portion should be used to establish a retirement fund in the vegetable trade, an overall retirement system being put into effect. In the future, the source of funds for this plan would be withholdings out of the profits of enterprises in the vegetable business. The third portion should serve as a state-owned vegetable company administration and management expense subsidy, the treasury setting the quota amount and assigning responsibility for use, no subsidy being paid if the quota is exceeded, and also stipulating the use period, both giving the state-owned business system a certain amount of leeway in changing course and also spurring it to reform as quickly as possible.

Inasmuch as state-owned businesses will encounter certain difficulties in putting the system on a different course, the state may provide low interest, or discounted interest, loans to wholesale markets, retail network outlet points and to new distribution facilities, and implement a tax reduction or tax exemption policy for retail vegetable stores and wholesale markets in order to buttress the competitiveness of state-owned businesses during reform. The foregoing various preferential policies should be contingent on business performance. Those enterprises meeting standards should receive preferential treatment; those that do not, and those that do not meet standards well, should be given only reduced preferential treatment.

c. Strengthening of market guidance and stabilizing market vegetable prices.  
1) Formulation of price guidelines for major current varieties of vegetables  
In keeping with the principle of concurrent concern for producers, dealers and consumers, and with regard for the seasonality of different areas. In order to prevent precipitous rises and falls in vegetable prices, when the price of major kinds of vegetables rise too much, a ceiling price limit should be set for a certain period of time to protect the consumers' interests. When the price drops too much, a floor price should be set to prevent low prices from

hurting the farmers. 2) Using the maintenance of basically stable vegetable prices as a prerequisite, state-owned vegetable companies and pricing units should study the formulation of differential price tactics for different varieties of vegetables (such as regional price differentials, seasonal price differentials, variety price differentials, wholesale procurement price differentials, and retail price differentials) to maintain basic overall price stability for vegetables and to provide state-owned businesses with the authority to set prices flexibly.

### 3. Strengthening of Vegetable Market Control and Supervising Material Prices

Following the loosening of strictures on the vegetable business in 1986, the number of farm markets, stalls and individual vegetable peddlers increased greatly and the volume of country fair transactions accounted for 50 percent of all transactions and as much as 80 percent in some cities. This played a positive role in enlivening markets and accommodating the public. The country fair vegetable market holds a very important place in the lives of city and town inhabitants. For this reason, every city continues to want to open wide the "city gates," encouraging vegetable growers to enter the city to sell their vegetables. At the same time, industrial and commercial units, price regulation units, agricultural, transportation, environmental protection and public security units should coordinate closely in the consolidation and control of existing vegetable markets. Existing markets and stalls should conduct business at designated sites and display business permits. Unlicensed small retailers should be banned. In cities where conditions permit, vegetable peddlers that roam the streets and alleys should also be licensed and limits set on their area of operations (such as being required to operate in densely inhabited areas). All who bring in goods from state-owned wholesale markets, no matter whether state-owned retail shops or collective and individual retailers, must use a retail price that carries the set price differential rate. No dealer may sell limited price produce at more than the set price. Pricing units should not only supervise and check on state-owned and collective retail vegetable businesses, but should do more building of farmers markets, formulate more vegetable market regulations and better regulate and attack the extremely small number of rowdies who try to dominate and bully the vegetable markets and cheat the public.

In summary, reform of the vegetable control system must embody a policy of liberalization in combination with control to achieve loosening that does not lead to chaos and control that does not stifle, that assures the supply of vegetables to urban residents and that is steadily improved.

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CSO:4006/186

## AGRICULTURE

### BRIEFS

ZHEJIANG PIG PURCHASES DECLINE--In the first two months of 1987, Zhejiang Province purchased 958,000 pigs, a 3.5 percent decline over the same period in 1986. Reasons for the decrease are: 1) the number of pigs in stock has declined, especially sows. 2) Feed prices have increased; each kilogram of feed has increased 0.08 yuan, the cost of raising one pig has increased 20 yuan. According to surveys, in February the number of households raising pigs decreased from 74.02 percent in 1986 to 72.25 percent. [Excerpt] [Beijing NONGHU RIBAO in Chinese 28 Mar 87 p 2]

ZHEJIANG TEA OUTPUT, EXPORTS--In Zhejiang Province, the 1986 tea output was 95,000 tons, a 2.7 percent increase over 1985. Commercial purchases were 74,000 tons, an increase of 15 percent over 1985; 30,995 tons of tea were exported, an 81 percent increase over 1985; foreign exchange earned from tea exports was \$73,570,000, a 91 percent increase over 1985. In 1986, supply and marketing cooperatives in Zhejiang signed more than 100,000 contracts to purchase more than 60,000 tons of tea, which accounted for more than 65 percent of tea output. Cooperatives supplied 30,000 tons of chemical fertilizer, and 2,000 tons of diesel oil and steel. [Excerpts] [Beijing JINGJI RIBAO in Chinese 20 Mar 87 p 2]

ANHUI AFFORESTATION--As of 20 March, Anhui Province had afforested 1,580,000 mu, accounting for 102 percent of the plan. [Excerpt] [Hefei ANHUI RIBAO in Chinese 29 Mar 87 p 1]

JIANGSU FERTILIZER OUTPUT--In January and February, Jiangsu Province produced 900,000 tons of chemical fertilizer, a 39 percent increase over the same period in 1986; and the province produced 6,248 tons of pesticides, a 23 percent increase over the same period in 1986. [Excerpt] [Nanjing XINHUA RIBAO in Chinese 4 Apr 87 p 1]

CSO: 4006/553

## THE USE OF EXTRA-BUDGETARY FUNDS FOR CAPITAL CONSTRUCTION

Beijing JINGJI XIBAO in Chinese 24 Feb 87 p 3

[Article by Deng Yingtao [6772 5391 3221] and Xu Xiaobo [1776 4562 3134]: "The Effect of Extra-Budgetary Funds on Capital Construction, and Ways To Counteract It"]

[Text] less than 20 percent of the funds invested in capital construction in 1978, but more than 40 percent in 1985 and 1986, were independently raised. Extra-budgetary funds are clearly playing a larger role in developing the national economy, and have become an indispensable source of funds for economic construction.

Along with the increased investment of extra-budgetary funds, the phenomenon of imbalances in the investment structure is also becoming increasingly critical. These imbalances can be seen in the following areas.

### 1. There Is Too Much Investment in Capital Construction, and Not Enough in Renewal and Transformation of Equipment

Analysis of the relevant data shows that around 40 percent of the funds invested in renewal and transformation are indeed not used to renew and transform equipment, but are used instead to expand production capacity and for capital construction. Moreover, approximately one-half of these funds are also used for nonproductive investment, and for housing construction in particular. Even though the accumulative total of depreciation funds since 1980 was over 100 billion yuan, since almost one-half of renewal and transformation funds were diverted to capital construction, not only was the structural quality of enterprise property not properly improved, but even normal renewal was also affected. For instance, from 1981 to 1984, only about 20 percent of the funds invested to renew and transform industrial enterprises were used to raise product quality, reduce consumption, and add new products.

### 2. There Is Too Much Nonproductive Investment

During the Sixth 5-Year Plan, over 40 percent of China's whole investment, or from the 29 percent from 1953 to 1980, was nonproductive. This situation is closely related to the high nonproductive investment of extra-budgetary funds.

One reason why there is too much nonproductive investment of extra-budgetary funds is that local governments have invested a lot of funds in such non-productive projects as urban construction. In order to solve nonproductive construction fund needs, many localities have used a variety of pretexts to parcel out extra-budgetary enterprise funds to various investment projects. For instance, the bearing plant in Luoyang, Henan had to pay 3 million yuan for 3 projects alone, such as the National Youth Games and the Widening of Zhongzhou Road.

The local investment in nonproductive construction projects is mainly for urban construction, while the nonproductive investment of extra-budgetary enterprise funds is directed toward housing. Enterprises are as interested in investing in housing as they are in spending for consumption. The investment in housing by state-owned enterprises in Zhengzhou for 1984 and 1985 accounted for 66 and 47 percent, respectively, of their outlay of extra-budgetary funds for capital construction.

### 3. Productive Investment Is Decentralized, Projects Are Duplicated, and There Is No Mutual Aid

Along with the increased investment of extra-budgetary funds in the past few years, a lot of investment has been decentralized and projects have been duplicated all the way from the tobacco, alcohol, and textile industries to the automobile and household appliance industries. Taking the color television industry as an example, 112 color television assembly lines had been completed or were being built throughout China by the end of 1983. And had an overall production capacity of over 15 million sets, while the domestic production capacity for spare parts was only 1 million. This was a great disparity. Eighty-eight of them, or 78.5 percent, had used local financial reserves and extra-budgetary funds, or had imported complete sets of equipment. Another aspect of investment decentralization can be seen in that projects are being invested in on a smaller scale, and are unable to achieve the demands of size economy. A survey by the China Economic Reform Research Institute shows that only 5.5 percent of 3,212 urban capital construction projects throughout China in 1984 had investments of over 10 million yuan, 52.6 percent had investments of less than 500,000 yuan, and the average investment was only 237,000 yuan.

### 4. There Is Too Much Investment in the Processing Industry, and Too Little in the Infrastructure

China's historical investment composition has generally required that over 50 percent of the total social investment be invested in the energy, communications, and raw and processed materials sectors, but only 33.8 percent of it was so invested in 1985. Over 60 percent of the budgeted outlay for capital construction must now be invested in the infrastructure, while only about 25 percent of extra-budgetary funds are so invested. The state-budgeted investment in the infrastructure is far from being able to satisfy the overall social needs for basic industries and infrastructures.

In summary, the rapid growth of extra-budgetary funds is having an increasingly critical effect on the general balance of supply and demand. On one hand, the amount of investment determines the demand for the products invested in and, on the other, imbalances in the investment structure imperceptibly reduce the amount of useful supply.

We Think That Management of Extra-Budgetary Funds in the Seventh 5-Year Plan  
Should Be Focused on Regulating and Controlling the Investment Structure

1. The Proportions of Productive and Nonproductive Investment Should Be Regulated

Since most nonproductive investment is linked to capital construction, consideration can be given to having tax departments collect a 20 to 25 percent general construction tax on extra-budgetary fund investment.

Organizations should be established to examine and verify construction tax refunds and rejections. (Specific ideas on relevant organizations and regulations are omitted here.)

2. The Productive Investment Structure for Extra-Budgetary Funds Should Be Regulated

This should be started in two areas: First, business consortiums should be fostered, fund market development should be stepped up, organizers of new investment subjects and economic activity should gradually be evolved, and the role that departments and local governments play in economic activity should gradually be weakened. This will be a long-range task. Second, in the near and intermediate future, the close ties between bank loans and extra-budgetary funds should be utilized, the structural regulation of bank loans should be intensified, and the investment orientation of extra-budgetary funds should be guided. Moreover, the investment orientation of all forms of independently raised funds, such as stocks and bonds, should be managed to ensure regulation of the extra-budgetary fund investment structure.

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CCO: 4006/4/7

CONSTRUCTION

BRIEFS

HOUSING CONDITIONS TO BE IMPROVED--Beijing, 6 Apr (XINHUA)--China will continue to improve housing conditions in the country with efforts by the central and local governments, enterprises and individuals, a senior official said here today. In a televised speech, Ye Rutang, Minister of Urban and Rural Construction and Environmental Protection, said the country will take measures to ensure housing to all families by the end of the century. China built 4.8 billion sq m of residences in the years 1981-86 and enabled 250 million people to move into new houses. But about a quarter of the urban families still lack their own homes and nearly half the rural residents do not have electricity in their houses, the minister said. [Text] [Beijing XINHUA in English 1518 GMT 6 Apr 87 OW] /12624

CSO: 4020/163

## TRANSPORTATION

### LI PENG ON DEVELOPMENT OF TRANSPORTATION

OW020833 Beijing XINHUA Domestic Service in Chinese 1637 GMT 31 Mar 87

[By Central People's Broadcasting Station reporter Cai Xiaolin and XINHUA reporter Yang Like]

[Text] Beijing, 31 Mar (XINHUA)--Vice Premier Li Peng pointed out here: Putting enterprises under the control of lower-level authorities is not the end objective of reform. After enterprises originally under the State Council's ministries and commissions have been put under the control of lower-level authorities, those ministries and commissions should devote their main energies to improving management of various trades, exercising better overall control, providing policy guidance, and in particular serving those enterprises well.

Vice Premier Li Peng this afternoon listened to briefings given by some delegates attending the national meeting of communications department and bureau directors. He affirmed the achievements made by workers and staff members on the communications front in the past year. He said: The Ministry of Communications has made a very good start in reforming the communications system. Putting harbors under the control of local authorities has provided a good experience for reforming the economic structure as a whole. However, reform is a protracted and complex task and is still far from finished. We must seriously sum up experience and continue to make progress.

Li Peng said: The harbor situation was less strained last year. Backlogs in loading and unloading have been reduced, and harbors have increased their cargo handling capability and improved their working efficiency. Of course, this is because local authorities and harbor workers and staff members have been working with greater enthusiasm after the harbors were put under local control, but the improvement of overall management by the Ministry of Communications and the organizations in charge of harbor administration should not be ignored.

Li Peng said: Highways should play a very big role in developing a planned commodity economy. Highway management should gradually be modernized. We should tap the potential in highway construction. Under our present economic conditions, we should not build too many speedways; we should do so only at selected localities. We should upgrade the existing highways, develop more second-class and third-class highways, and make the existing highways yield the best results.

Li Peng said: Reassigning highway safety management responsibility to the Ministry of Public Security is a major reform. The new practice will help improve road traffic, reduce traffic accidents, and increase vehicle speed. The Ministry of Communications and Ministry of Public Security should cooperate with each other in transferring responsibility as soon as possible.

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CSO: 4006/545

## TRANSPORTATION

### DEVELOPMENT PLANNED FOR AIR FREIGHT TO BOOST EXPORTS

OW281148 Beijing XINHUA in English 1052 GMT 28 Feb 87

[Text] Beijing, 28 Feb (XINHUA)--A massive push is being planned in China to upgrade the transport provided for foreign trade cargoes, with strong emphasis on boosting air freight services, according to today's CHINA DAILY.

Liu Fulin, vice-president of the China national foreign trade transportation corporation (Sinotrans), told CHINA DAILY yesterday that China's air freight services, which have long been a weak link, are targeted for dramatic development this year, as Sinotrans plans to form a joint venture aircargo corporation the company handles most of the country's air transport of foreign trade goods.

The corporation is to set up an aircargo agency this year, to make it easier for foreign and domestic trade companies to air freight their goods.

Sinotrans is currently cooperating with officials of the Civil Aviation Administration of China (CAC) in increasing aircargo transport, and preparations are under way to establish a joint-venture foreign trade aircargo corporation, the report said.

Last year, Sinotrans handled 33,000 tons of aircargo, accounting for only 0.02 percent of the country's foreign trade cargoes.

In 1986, it shipped more than 150 million tons of imports and exports. This was more than a six percent increase over the year before, the vice president said.

Liu described the work as the key to the development of the country's foreign trade, especially in moving goods for export which are the main emphasis of China's foreign trade this year.

By 1990, China's foreign trade cargoes will reach more than 200 million tons. This year, the volume of imports and exports is expected to increase by nearly six percent, reaching 165 million tons.

"To meet the increase, Sinotrans will spare no efforts to improve services and to enhance its cooperation with clientele and other transport and communications departments," Liu said.

Sea transport is now the principal activity of Sinotrans. About 80 percent of the country's imports and exports have so far been handled by sea transport.

This year, Sinotrans will cooperate more closely with the China ocean-going shipping corporation and other local shipping firms, to increase work efficiency in this area of operations, Li said.

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## TRANSPORTATION

### NATION'S TRANSPORT NETWORK DISCUSSED

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 24 Mar 87 p 3

[Article by Wang Hongtu [3769 1347 0956]: "Building a Transport Network Throughout China; an Informal Discussion of China's Transportation Industry"]

[Text] By the end of 1986, the combined volume of road haulage and water freight throughout China had topped 6.5 billion tons, and the passenger transport capacity of transportation departments had reached 4.59 billion. Highway and water transportation has played a major role in such areas as developing the national economy, improving the people's lives, enhancing the unity of nationalities, strengthening national defense, and promoting international contacts.

In the early days of the founding of the PRC, there were only 54,000 motor vehicles for civil transport and 80,000 km of roads throughout China. Not only were the numbers small, the quality poor, and the standards low, but the distribution was also very uneven, with two-thirds of the regions throughout China and the remote border provinces and mountain areas having almost no roads and relying totally on man and animal power for transportation. There are now over 3 million motor vehicles for civil use throughout China, and our highway mileage has topped 960,000 km. In 1986, we built more than 15,000 km of new roads and rebuilt over 15,000 km of old ones. Of these, the over 2,500 km of grade-1 and grade-2 roads were the most of these type of new roads ever built in 1 year. There are now roads connecting almost all the counties throughout China, and over 90 percent of the rural areas can be reached by motor vehicle. In the past, the Xizang Autonomous Region did not have even a single km of road, but it has now completed the initial stages of a highway network centered in Lhasa. Since the Qinghai-Xizang highway was rebuilt and opened to traffic, the highway mileage throughout the region has topped 20,000 km.

before liberation, there were no highway bridges over the entire length of the Chang Jiang, and only one over the Huang He. But since liberation, China has built 60 major bridges (including dual-use highway and railroad bridges) over the Chang Jiang and Huang He. There are now over 148,000 highway bridges with a total length of 4.3 million meters throughout China. In 1986, China built the Zhengzhou Huang He highway bridge, which is now the longest one in China, and the Harbin Songhua River highway bridge, which is the widest. It also

built over 2,000 major bridges, such as the Changde Yuan River bridge in Hunan, the Zhongning Huang He bridge in Ningxia, and the Wulanhaotedong bridge in Nei Mongol, with a combined length of over 80,000 m.

Along with the growth of highway construction and the number of motor vehicles for civil use, the annual volume of road haulage throughout China has topped 5.8 billion tons, or over 100-fold that of the early days of the founding of the PRC.

In the early days of the founding of the PRC, there were only 70,000 km of navigable rivers throughout China, and the annual volume of water freight was only a little over 25 million tons. There was very little mechanized shipping transport throughout China, with wood junks accounting for 93.3 percent of the total tonnage. Ocean transport was nonexistent. At that time, coastal port equipment was extremely simple and crude, with an annual handling capacity of only 11 million tons. There are now 109,000 km of navigable rivers, or an increase of 48 percent over that prior to the founding of the PRC. Preliminary statistics show that the number of major port docking berths has reached 865, of which 214 are in the 10,000-ton class. This is more than a six-fold increase over that prior to the founding of the PRC. In 1986, China built 21 new docking berths, 15 of which were deepwater berths. The handling capacity of the new ports is approximately 30 million tons. China now has a lot of modern, mechanized, specialized docks for such things as oil, coal ash, ore, lumber, and containers. Shanghai's annual handling capacity has topped 100 million tons for 3 years in a row, making it the world's 8th major port. There are now 73 ocean transport enterprises throughout China, and over 800 shipping companies have been established in the Chang Jiang hydrographic net. The deadweight shipping tonnage has increased almost 100-fold over the initial post-liberation period, and striking changes have occurred in shipping mechanization and technical equipment. With the China Ocean Transport Corp as the major factor, the oceangoing fleet has over 600 ships, such as complete container ships, cylinder ships, bulk freighters, oil tankers, and passenger ships, with a deadweight of 13 million tons. It sails to over 400 ports in over 100 countries and regions on all 5 continents, has an annual volume of water freight of almost 50 million tons, and ranks 9th in the world.

The 1986 volume of water freight throughout China topped 600 million tons, 51 million tons of which was shipped by steam barges of transportation departments. The annual handling capacity of major coastal ports has topped 340 million tons, or over 30-fold more than that prior to the founding of the PRC.

During the Seventh 5-Year Plan, the volume of road haulage and water freight throughout China will grow steadily. Construction of 27 main highways will be speeded up, the dredging of the Beijing-Hangzhou Grand Canal and the realignment of the Xi Jiang will be accelerated, construction of 200 docking berths will be guaranteed by port construction, and efforts will be made to realize a total handling capacity of 500 million tons. By the year 2000, the number of deepwater berths in China's coastal ports will top 600, the length of navigable rivers for over 300-ton class ships will reach 28,000 km, and highway mileage will increase 1.2 to 1.43 million km.

## TRANSPORTATION

### REVISED ROAD SAFETY REGULATIONS NEAR COMPLETION

HK050050 Beijing CHINA DAILY in English 5 Mar 87 p 1

[By staff reporter Chen Guanteng]

[Text] China is working on a number of new laws to improve road safety, an official from the Ministry of Public Security has disclosed.

Zhang Zhengchang, director of the military's Traffic Control Bureau, set up in January by the State Council, told CHINA DAILY in an interview that the new legislation includes road traffic regulations, regulations on penalties for violations of them and rules for handling traffic accidents.

The new road traffic regulations, a revision of those adopted in the 1950s, have already been submitted to the State Council for discussion and approval. The last two regulations -- the first of their kind since 1949 -- are being discussed by the departments concerned, Zhang said.

The director would not disclose any specific details. He said, however, that the regulations should help reduce the country's growing number of road accidents and the death toll.

He said a total of 108,665 road accidents were recorded last year, in the country's urban areas alone. They caused 12,530 deaths and injured 66,408 people.

These figures represent an 11.4 percent increase in the number of accidents and a 3.8 and 3.6 percent increase in the numbers of deaths and injuries, respectively on the figures for 1985.

Economic losses sustained amounted to more than 1 billion yuan (\$270 million).

The rise in the number of road accidents is blamed on the increased population, narrow streets, growing numbers of vehicles and bicycles, and the lack of road traffic controllers.

In Shanghai, for example, the population has gone up to more than 7 million in the city proper and the number of vehicles has increased 13-fold to 17 million, since 1949. The total length of its streets -- many of them barely wide enough for two buses to pass -- grew only five-fold.

Beijing now has 320,000 motor vehicles -- 100 times more than in 1949. The capital also has 5.63 million bicycles, and the number has been rising by an average of half a million a year since 1982. The total length of streets in this ancient city, however, has expanded only 12-fold. Some of them remain the same as in the Qing Dynasty (1644-1911).

Zhang said the lack of road traffic controllers was also responsible for the increase in road accidents.

"We have only about 80,000 road traffic controllers in whole country. They are responsible for more than 1 million kilometres of roads," he said.

In Shanghai alone, an additional 2,300 traffic policemen are needed if road safety is to be effectively improved. The city now has 3,400 traffic policemen.

In Beijing, more than 5,900 people were asked to aid traffic policemen with their traffic control duties during the Spring Festival, a time when the number of road accidents rises steeply.

"Considering all these changes and developments, it was absolutely necessary to formulate a series of laws governing vehicle and pedestrian traffic, the examination of drivers and the inspection of vehicles, the use and management of roads and the handling of traffic accidents," Zhang said.

"Some regulations should also be brought up to internationally accepted standards," the director said.

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CSO: 4020/163

## TRANSPORTATION

### RAPID GROWTH OF INDIVIDUAL HIGHWAY TRANSPORT SERVICE

Beijing ZHONGGUO NONGCUN JINGYING BAO in Chinese 13 Jan 87 p 1

[Article by Li Weishuang [2621 4850 7175]: "An Important New Force in Highway Transportation"]

[Text] As of the end of 1986, the number of individually operated trucks in China had broken the 300,000 mark, and more than 5 million privately owned tractors were also engaged in hauling goods. They play an important role in China's transport services and economic development.

Individual motor transport service appeared in China in 1980, thereby breaking the monopoly of a solely publicly owned highway transportation system. Highway transportation is now a thriving field of activities involving different economic sectors and forms of management and with the participation of the state, collectives, and individuals. Statistics of Henan and Shandong provinces show that the volume of goods moved by individual operators amounted to more than 46 percent of the total highway freight volume in these two provinces in 1986.

Individual motor transport service is playing an important role in China's highway transportation and economic development mainly as follows:

--It has eased the strains on highway transportation. Based on an average annual haul of 1,500 tons per truck, the individually operated truck force can move 440 million tons of goods each year, and at an annual capacity of 300 tons per tractor, the individually operated tractors can move 1.5 billion tons of goods a year. The two add up to a total of 1.94 billion tons, about threefold the total freight volume moved by trucks owned by the Ministry of Communications (at an average annual capacity of 3,373 tons per truck).

It has impelled the state and collectively owned transport enterprises to improve operations and management and provide better services. For many years, the monopoly of the state transport system has resulted in the serious "bureaucratic style" of its operations. With flexible management and low nonproductive expenses, the individual transport service is highly competitive. The state enterprises are forced to improve their management and service quality in order to survive and develop in competition.

--It has enabled some peasants to quickly become well-to-do. This is especially true with those hauling goods with tractors. Because of low agricultural fuel prices and fewer miscellaneous expenses, tractor operators make more money than truckers.

At present, individual transport operators are still faced with problems. Fuel supply is insufficient; sources of goods are unstable; vehicles are old and worn; and operators are unskilled. It is necessary for transportation departments at various levels and associations of individual operators to help the individual operators form various types of joint ventures, simplify fee collection procedures, and help them solve such problems as parking areas, technical training, vehicle maintenance and repairs, fuel supply, and so forth to enable the individual transport service to develop soundly.

12802/9190  
CSO: 4006/398

## TRANSPORTATION

### CONTRACT SYSTEM INCREASES VOLUME TRANSPORTED BY RAILWAYS

Beijing RENMIN RIBAO in Chinese 3 Jan 87 p 1

[Text] In 1986, China's railway departments signed contracts with the state to provide specified services and assume full responsibility for their own profits and losses. They have marked the first year of successful operation under the contract system by fulfilling all 1986 rail transport targets. According to statistics, the railways carried a total of 1,072,500,000 passengers, fulfilling the annual passenger transport plan 9 days ahead of schedule. The railways carried 1,322,000,000 tons of freight transport plan and registering a 3.7-percent increase over 1985. All the 12 railway bureaus fulfilled their passenger and freight transport plans. In the 4 months from March through June, the railways' average daily loading volume repeatedly broke the 70,000-car mark, a new record in railway transport. In 1986, 87 percent of the requests for cars by freight owners were met, a 13-percent increase from the 74 percent in 1985. Transport plans for major goods and materials such as coal, petroleum, cement, timber, etc., were all fulfilled.

Since the railway departments began operations under the all-round contract system aimed at increasing transport capacities a year ago, they have adopted the following series of effective measures:

1. Train movements through the railway transport bottlenecks have been improved to increase the railway lines' capacity. For example, the number of upgoing freight trains passing [daily] through the bottleneck at Shenhuaiguan on the Beijing-Shanhuaiguan line from January through November increased by 5.2 trains over the same period in 1985.
2. Readjustments have been made to the types of locomotives used to increase the hauling capacity of trains over difficult sections. At the same time, freight trains were generally organized to haul above-normal tonnage. The average daily over haulage was 795,000 tons from January through November last year, a 33.6-percent increase over the same period in 1985.
3. Readjustments have been made to work at the switchyards to improve marshaling of trains, strengthen service at stations, and enhance the switchyards' capacity to organize trains and solve problems. Efforts have

been made to organize fast through trains and long-distance heavy-load through trains and to make use of the empty returning freight cars to pick up freight on the way back to increase transport capacity.

4. Efforts have been made to increase passenger train speeds, reform the attendant system on board trains, and increase passenger transport capacity. The schedules of 24 pairs of passenger trains running in opposite directions have been readjusted, making available 1,262 additional sleeping berths, increasing transport capacity and boosting railway income.

5. The experience in sharing the use of special-purpose lines has been popularized to increase freight-handling capacity. Already 707 railway stations have begun to make the special-purpose lines available for other users. Nearly 12,000 freight owners have switched their loading and unloading to the special-purpose lines. From January through November last year, the volume of freight handled by sharing the use of the special-purpose lines reached 111.32 million tons, an 89.9-percent increase over the same period in 1985 and equivalent to adding 120 freight yards with an annual handling capacity of 1 million tons each.

6. The locomotive repair system has been reformed, the number of repair shops increased, and the overall arrangement for train inspections readjusted, to raise the operational efficiency of locomotives and rolling stock. In the last year, 16 diesel and electric locomotive repair shops were added; the steam locomotive sections generally increased the number of work shifts for locomotive overhauling; 8 diesel locomotive sections had two shifts working on locomotive repairs; and experiments were conducted at selected places to test and repair electric locomotives. In addition to readjusting the overall arrangement for passenger and freight train inspections, more infrared axle temperature detectors were installed, prolonging the intervals between inspections of some combined through trains, raising the efficiency in rolling stock use and increasing the capacity of the railway lines.

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CSO: 4006/256

## TRANSPORTATION

### RAILROAD ECONOMIC ZONE STUDIES GROUP MEETS IN XINING

HK060205 Xining Qinghai Provincial Service in Mandarin 2300 GMT 5 Mar 87

[Text] A meeting convened by the secretary general of the society for the promotion of studies in the Longhai-Lanxin [Lanzhou-Lianyugang and Lanzhou-Xinjiang railroads] economic zone concluded in Xining on 4 March. The meeting decided that in the future, joint conferences of mayors, prefectural commissioners, and autonomous prefecture governors should be held for coordinated solutions of policies in lateral ties, and of problems in organizational leadership, joint developmental efforts, and so on.

The Longhai-Lanxin railroad economic zone is composed of 80 autonomous prefectures, prefectures, and cities in the 10 provinces and autonomous regions along the railroads. To the east of the zone, there is the open city of Lianyungang port, and to the west there are open ports including Yili. The zone has strong points in energy resources and in agriculture and animal husbandry. Industry and communications have a considerable foundation.

Through cooperating with fraternal provinces and cities, Qinghai can take advantage of these strong points to speed up its own economic development.

Since its establishment last December, this promotion society has already organized a number of small economic cooperation zones, including Guanzhong, and the five-province northwest economic cooperation zone. It has set up a Longhai-Lanxin joint association for foreign economic relations and trade.

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CSO: 4006/545

## TRANSPORTATION

### RAILWAYS MINISTRY INITIATES CUTBACKS PROGRAM

HK030125 Beijing CHINA DAILY in English 3 Mar 87 p 1

[By staff reporter Chen Guanfeng]

[Text] The Ministry of Railways has embarked on a program to cut investment in construction projects, with the aim of guaranteeing fulfilment of all projects planned for the years before 1990, according to a ministry official.

Taking its cue from a recent call by the government to increase production and reduce expenditures, the program will cover all construction projects now under way and is to be launched in the next few years.

Major efforts will be made in reevaluating finished designs, lowering construction and technical standards, reducing research projects, improving construction management, cutting administrative expenditures and paring the number of items to be imported.

"Unless we achieve success in these efforts, it will be hard for us to fulfil our goal for the Seventh Five-Year Plan (1986-90) with the money promised by the central government," Shen Zhijie, director of the Design Evaluation Committee under the ministry, told CHINA DAILY in an interview.

According to Shen, the ministry's major tasks during the period are to lay 3,500 kilometres of new routes, build 2,900 kilometres of double-track railways, increase the length of electrified railways by 4,600 kilometres and raise the output of locomotives, passenger trains and freight trains by 73, 75 and 60 percent respectively from the last five years.

"The Central Government has earmarked only 33.2 billion yuan (\$9 billion) for these undertakings," Shen disclosed.

"This sum of money will be far from enough for our planned projects," he said, adding that the prices of construction materials and equipment have rocketed while no increase is predicted by the ministry of funds.

"One way for us to overcome this difficulty is to practise economy," he said.

According to OGT director, economizing can be very effective. He cited the western section of the railway from Datong City in Shanxi Province to Qinhuangdao City in Hebei Province now under construction.

He said a re-evaluation of construction standards and costs and a revision in the design of the 410-kilometre section helped reduce total investment by 600 million yuan (\$160 million) from the previously planned 4.6 billion yuan (\$1.27 billion).

"Practising economy does not mean that the quality standards of any of our projects will be lowered. What we should go without are items not compatible with the present economic and financial strength of our country," he explained.

"Programmed telephones are advanced, but we certainly cannot afford to install such telephones along all railways or in all stations," he said, adding that his ministry will only strive for "middle instead of high modernization" in future projects.

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CSO: 4020/163

## TRANSPORTATION

### RAILWAY DEVELOPMENT TRENDS IN CHINA DESCRIBED

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 1-2,  
1 Jan 87, p 133

[Article by Lu Wenhua [7120 2429 5478]: "Three Main Developing Trends of China's Railways"]

[Text] Three main trends are noted in China's railways. They tend to be heavy-duty, electrified, and built with jointly raised funds.

China began in 1982 to tackle a whole range of technological problems involved in heavy-duty freight trains which can carry up to 5,000 tons of goods. The Dongfeng-8 diesel locomotive developed by China is among the world's most powerful. This diesel locomotive has 5,000 hp, 1,000 hp more powerful than the diesel locomotives China bought from the United States. The Ministry of Railways' Qishuyan Locomotive and Rolling Stock Plant built the first Dongfeng-8 at the end of 1984. The locomotive was put on trial runs with heavy loads on the Shanghai-Nanjing line, and by the end of 1985 logged more than 70,000 km of safe running. The second Dongfeng-8 locomotive was completed in May 1985. Tests show that it has a pulling capacity of more than 4,800 tons and a speed of more than 80 km/hr. The Qishuyan locomotive plant produced six more of these big diesel locomotives in 1986. The Datong-Qinhuangdao railway, now under construction, is designed for trains carrying 6,000 to 10,000 tons. Trial runs of 7,000-ton combined trains, conducted between Datong and Qinhuangdao and between Shanhaiguan and Shenyang, have achieved the expected results.

Construction of electric railways had a rather late start in China, but made giant strides in the Sixth 5-Year Plan (1981-1985). In the 1960's, China was able to build an average of some 40 km of electrified railway each year, but now the average has increased to more than 500 km each year. In 1985 alone, more than 1,100 km of electrified railway was opened to traffic. In the Sixth 5-Year Plan, China built more than 2,500 km of new electrified railways, over 1,000 km more than the total built in the previous more than 20 years.

In the past, railway electrification was concentrated mostly on the Baoji-Chengdu, Chengdu-Chongqing, and Guiyang-Kunming lines in the mountainous southwestern regions. It is now "getting out of the mountains." Being electrified are the Beijing-Qinhuangdao, Taiyuan-Jiaozuo, north Tong-Pu, and Datong-Qinhuangdao lines. Six more

lines will be electrified, including the Chenzhou-Shaoguan and Zhengzhou-Wuhan sections of the Beijing-Guangzhou line, the Zhengzhou-Baoji and Lanzhou-Wuwei sections of the Long-Hai line, the Yingtan-Xiamen line, the Sichuan-Guizhou line, the Hunan-Guizhou line, and the Shuicheng-Kunming section of the Guiyang-Kunming line.

It is estimated that the total mileage of electrified railway lines in China will increase to 10,000 km in the early 1990's, and to 20,000 km by the end of the century. The total length of railway lines served by diesel locomotives is 9,000 km now, and will increase to 35,000 km by the end of the century.

In the past few years, China has been able to use the advanced AT power supply system and microcomputer-controlled telemechanical system in its railway electrification program to improve conditions for locomotive operations. In the past, one transformer station had to be set up every 30-odd km. Now the distance between transformers has increased to 100 km. With growing economic cooperation and technological exchanges with foreign countries, it is estimated by experts that in the 1990's, the major role of steam locomotives will be replaced by electric and diesel locomotives. By that time, operations will be highly mechanized, insuring safety for workers and greatly reducing labor intensity.

In the Sixth 5-Year Plan, China used foreign funds totaling \$1.8 billion to build seven railway lines and a tunnel and renovate two railway factories and a railway experiment base. The Overseas Economic Cooperation Fund of Japan provided the equivalent of \$1.35 billion for the construction of the Beijing-Qinhuangdao line, the Yanzhou-Shijiazhuang line, the Zhengzhou-Baoji double track electric line, the Hengyang-Guangzhou double track line, and the Dayaoshan tunnel. The World Bank provided loans totaling \$450 million for the electrification of the north Tong-Pu Railway; construction of the Xinxiang-Heze line, the Heze-Yanzhou line, and the Zhengzhou-Wuchang double track electric line; and renovation of the Zhuzhou electric locomotive plant, the Changchun passenger car plant, and the railway institute experiment base. During the Seventh 5-Year Plan, China will continue to use foreign funds for railway construction. It is learned that the World Bank will extend loans totaling \$250 million to China for the electrification of the Yingtan-Xiamen and Sichuan-Guizhou lines and other projects. In addition, the Ministry of Railways and local interests will jointly raise 2 to 3 billion yuan for the construction of nine railways with a total length of 1,200 km. And local governments and enterprises will also raise funds to build 2,000 km of local railways.

China plans to increase the volume of rail freight to 2.5 billion tons and the number of passengers carried by rail to 2.5 billion persons a year by the end of the century. To achieve these goals, the Chinese government is doing the following:

-- S&T studies are being conducted on the feasibility of building high-speed passenger railways between major cities, for example, from Beijing via Tianjin to Shanhaiguan, from Beijing to Shijiazhuang, from Nanjing to Shanghai, and so forth. Railway experts think that it makes great economic sense to build the first two high-speed passenger railways between Beijing and Shanhaiguan and between Shanghai and Nanjing. Because

there are important port cities, open cities, and tourist attractions, such as Beidaihe, Shanhaiguan, Nanjing, Wuxi, and Suzhou, along these two lines, and the volume of passenger traffic is large and stable. The experts think that because China's railways are now used by both passenger and freight trains running at speeds of 40 to 50 km/hr, the economic results are very poor. If separate high-speed passenger railways are built, passenger trains can run at more than 160 km/hr, greatly shortening passengers' traveling time and leaving the old railways to carry more freight.

-- In addition to carrying out technological transformation and tapping the potential capacities of the existing 52,000 km of railways, at least 30,000 km of new railways will be built in the next 15 years, including new lines from Houma to Yueshan, Shuoxian to Shijiazhuang, Guangzhou via Meixian to Longyan, and Nanchang via Ganzhou to Longyan.

By the end of the century, China's railways will form a network of eight vertical and eight horizontal trunk lines. The eight east-west trunk lines will be: the Mudanjiang-Harbin-Manzhouli, Qinhuangdao-Beijing-Baotou, Lianyungang-Zhengzhou-Lanzhou-Urumqi, Shanghai-Hangzhou-Zhuzhou-Guizhou-Kunming, Shijiusuo-Yanzhou-Xirxiang-Houma-Xian, Tonghua-Tongliao-Jining, Qingdao-Jinan-Taiyuan-Suide-Zhongwei, and Nanjing-Xiangfan-Ankang-Yangpingguan-Lanzhou lines. The eight north-south trunk lines will be: the Harbin-Shenyang-Dalian, Qiqihar-Tongliao-Beijing, Tianjin-Nanjing-Shanghai, Beijing-Fuyang-Jiujiang-Nanchang-Guangzhou, Beijing-Wuhan-Guangzhou, Datong-Taiyuan-Luoyang-Liuzhou-Zhanjiang, Baoji-Chengdu-Kunming, and Baotou-Xian-Ankang-Chongqing-Guiyang-Liuzhou lines. Parts of the eight east-west and the eight north-south trunk railways are already built and need to be upgraded; other parts are now under construction; still other parts are in the planning stage.

-- Double tracking is being continued, mainly on the Shanghai Hangzhou, Zhejiang-Jiangxi, Bin-Zhou, and Bin-Sui lines.

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TRANSPORTATION

BRIEFS

SEAPORTS EXCEED 1986 CARGO HANDLING--Beijing, 10 Mar (XINHUA)--China's major seaports met state annual handling capacity quotas by 108.7 percent, registering a 10.4 percent increase over 1985, the overseas edition of the PEOPLE'S DAILY reported today. "Compared with 1985, 385 more foreign trade ships were loaded and unloaded, with the berthing time for these ships cut by 3.78 days," the report said. The report attributed handling capacity increases and improved efficiency to port technological renovation, better highway transportation facilities, and more efficient use of barges. "Last year 26 new berths for ships of 10,000 dwt opened at China's coastal ports and handled 6.7 million tons of cargo," the report said, adding more trucks were used to transport cargo unloaded from ships in Dalian, Tianjin, Qingdao, Lianyungang and Shanghai. In 1986, more than 52 million tons of cargo, 15.8 percent of the nation's total handling capacity, was moved on barges, the paper said. [Text] [Beijing XINHUA in English 1037 GMT 10 Mar 87 OW] /12624

COMPUTERIZED NAVIGATION SYSTEM SUCCESSFUL--Beijing, 9 Mar (XINHUA)--A computerized ocean navigation system developed by China has been successfully used for the first time in three Chinese 10,000 dwt ocean-going freighters which have returned to China after calling at Tokyo and San Francisco. A senior official of China's state meteorological administration told XINHUA that the system is equal to its international counterparts in terms of providing various services. The system was developed by China's Dalian meteorological observatory in cooperation with Chinese navy researchers stationed there. Work to develop the system began in 1982, the official said. Meanwhile, the state meteorological administration is preparing to use the technology and equipment of the Beijing observatory to provide ocean navigation services for foreign ocean-going freighters, the official added. [Text] [Beijing XINHUA in English 1533 GMT 9 Mar 87 OW] /12624

SONG PING MEETS CHAIRMAN--Beijing, 27 Feb (XINHUA)--Chinese state councillor and minister in charge of the state planning commission Song Ping met Heinz Ruhnau, chairman of the Lufthansa Airlines of the Federal Republic of Germany here today. Ruhnau is here for a lecture tour at the invitation of China's state planning commission. [Text] [Beijing XINHUA in English 1224 GMT 27 Feb 87 OW] /12624

HIGHWAY TRANSPORTATION LAW DRAFTED--Beijing, 28 Feb (XINHUA)--China has just completed a draft of a national highway transportation law in a bid to strengthen highway transport management, a Chinese official said here today. Qian Yongchang, minister of communications, disclosed that the law has been submitted to the legislative affairs commission of the National People's Congress standing committee for review. He said at a press conference, "This is part of China's efforts to build legal systems on public communications and transportation over the country." The law is similar to laws which have been adopted in foreign countries, the minister said, but some parts are formulated in accordance with China's conditions such as rules governing mixed traffic of motor vehicles, horse-drawn carts, tractors and bicycles. [Text] [Beijing XINHUA in English 1304 GMT 28 Feb 87 OW] /12624

HAULAGE NETWORK ESTABLISHED NATIONALLY--Beijing, 5 Mar (XINHUA)--China has established a network of trucks to transport items of general haulage. There are 3,070 regular routes with a combined length of 1.07 million km, the ECONOMIC DAILY reported today. The network, radiating from coastal to inland areas, is playing an important role in goods exchange between coastal and inland areas, and between urban and rural areas, the paper said. A client in the Shenzhen special economic zone in south China's Guangdong Province can get his goods transported directly to Harbin, capital of northeast China's Heilongjiang Province, 4,500 km away, by truck. The network last year transported a total of 3.8 million tons of assorted goods, a 73 percent increase over the previous year, the paper said. [Text] [Beijing XINHUA in English 1224 GMT 5 Mar 87 OW] /12624

LOW WATER LEVEL AFFECTING SHIPPING--Beijing, 3 Mar (XINHUA)--The lowest water level in seven years is affecting shipping and the operation of ports along the Yangtze River, China's "Golden Waterway," PEOPLE'S DAILY (overseas edition) reports today. Experts say the low water level, measured at only 0.19 meters deep at the Wuhan monitoring station in the middle reaches of the river, is due to less rainfall along the upper and middle reaches of the river since last winter, the paper said. A special office has been set up to coordinate efforts of government institutions along the river that are involved in helping solve the problems, the paper said. According to the report, dredging has made passage possible for a number of ships along the main channel in the most affected sections near the city of Wuhan, capital city of central China's Hubei Province. [Text] [Beijing XINHUA in English 0226 GMT 3 Mar 87 OW] /12624

TRANSPORT AGENCIES ANNOUNCE SCHEDULE--Beijing, 2 Apr (XINHUA)--China's Civil Aviation Administration, and the ministries of railways and transportation announced their daylight savings time schedules, effective April 12 to September 14. During daylight savings time, also known as "Beijing summer time," China's civil airlines and foreign airlines servicing the country should add one hour to their departure and arrival times, according to the Civil Aviation Administration's flight schedule. "'Beijing summer time' will not affect railway timetables," the railway ministry announced, "but for three to five days after April 12 and

September 14, some passenger trains will depart earlier and others will be delayed to compensate for the time change." The Ministry of Transportation announced, "during 'Beijing summer time' schedules for passenger transport by inland and coastal waterways will not be affected." All forms of transport will begin using "Beijing summer time" at 02:00 on April 12 and end at 02:00 on September 14. [Text] [Beijing XINHUA in English 1454 GMT 2 Apr 87 OW] /12624

BEIJING-LHASA AIR ROUTE--Beijing, 2 Apr (XINHUA)--A new direct air route from Beijing to Lhasa was opened 22 March, according to the ECONOMIC DAILY. Besides this new route, there are the Chengdu-Lhasa and Xian-Golmud-Lhasa routes connecting Tibet with the rest of China. The new air route will greatly promote economy, tourism, and transportation in Tibet, said the paper. [Text] [Beijing XINHUA in English 0719 GMT 2 Apr 87 OW] /12624

AIRPORT BUILDING INVESTMENT--Beijing, 2 Apr (XINHUA)--China will invest 41.3 billion yuan in building and expanding a number of airports in the open coastal, tourist, and economic central cities, as well as in remote regions, today's INTERNATIONAL BUSINESS reported. The 5 new airports to be built this year are expected to become operational during the Seventh 6th-Year Plan (1986-1990). The Luoyang, Nanchong, Meixian, Haikou, and Shantou airports under construction in Henan, Sichuan, and Guangdong provinces are scheduled to be put into use by the end of this year, the paper said. Meanwhile, the passenger terminals at Baiyun and capital airports in Guangzhou and Beijing, respectively, will be expanded this year. These airports are expected to handle a total of 7 to 8 million passengers a year when construction finishes, the paper said. China has over 90 civil airports, with over 1,000 scheduled flights daily. [Text] [Beijing XINHUA in English 1131 GMT 2 Apr 87 OW] /12624

ELECTRIFIED RAILWAYS--In its Seventh Five-Year Plan period (1986-1990), China will complete eight electrified railway lines, totalling 4,000 km. These are Datong-Qinhuangdao, Taiyuan-Datong, Zhengzhou-Baoji, Yingtan-Xiamen, Binzhou-Shaoguan, Guiyang-Kunming, Guiyang-Zhuzhou and Chengdu-Chongqing. Meanwhile, the country will produce more electric locomotives. [Text] [Beijing XINHUA in English 0654 GMT 30 Mar 87 OW] /12624

XI ZHONGXUN INSPECTS TUNNEL--Yesterday morning [9 March], Xi Zhongxun, member of the Political Bureau of the CPC Central Committee, inspected the (Dayaoshan) Tunnel, encouraging the builders of the tunnel to adhere to the ideas of carrying out accident-free production, putting quality above all, overcoming final difficulties, and completing the tunnel at an early date. At about 1000, accompanied by Xu Shijie, deputy director of the provincial advisory commission, and party and government leaders of Shaoguang City, Comrade Xi Zhongxun went to the exit site of the (Dayaoshan) Tunnel, where he listened to a report given by a leader of the Tunnel Department of the Ministry of Railways. Then he went deep into the tunnel to inspect the construction. By yesterday, only the final 70 meters of the No. 9 fault of the tunnel project were not completed. Comrade Xi Zhongxun told the commanders of the project that at a time when victory is in sight, they should rely still more on science, adhere to the idea of putting safety and quality above all, become united, make concerted efforts, overcome final difficulties, and strive to complete the (Dayaoshan) Tunnel at an early date. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 10 Mar 87 HK] /12624

## CHINESE MEDIA ON FOREIGN ECONOMIES

### POLISH OPINION ON ROLE OF FACTORY DIRECTOR

Shanghai SHIJIE JINGJI DAOBAO in Chinese 26 Jan 87 p 3

[Article by Zhu Xingqing [2612 2622 3237]: "As Economic Reform Enters Its Second Stage, Polish Public Opinion Probes the Issue of the Status of Factory Directors"]

[Text] According to data provided to us by the parties concerned in Poland, most recently one of the hot topics of discussion in the Polish press has been what exactly is the status of the factory director in a socialist enterprise? What role should he play? This has become an important question as they enter the second stage of economic reform.

Factory directors in Poland all say that they want to be managers or that they already are managers. However, most of them lose no time in amending they also feel firmly that they play the part of a "servant" in a play with "one servant and many masters," and that the "masters" are the autonomous state and worker entities represented by the responsible departments, as well as the various sociopolitical organizations within the enterprise.

The Polish Public Opinion Research Center [PPORC] conducted a public opinion survey to determine the actual status of the factory director in the sociopolitical environment of an enterprise. This was also a component of a series of surveys that Poland conducted on the implementation of economic reform.

"The Democratic Weekly" recently published an article discussing the results of the above survey and the glimpse of enterprise management personnel that can be seen therein.

The article said that personnel at the level of the factory director is composed of individuals from 45 to 54 years of age. The typical factory director is 49 years old and a college graduate. Sixty-eight percent of all factory directors are engineers and 91 percent have never worked anywhere else. Typically, factory directors have 20 years seniority, of which 13.5 years were spent in a management position. In 1985 the average monthly salary was 64,500 zloties. Nearly all factory directors are members of trade unions, 5.5 percent are concurrently members of people's committees, one-fourth or more also hold management positions in sports clubs, and 25 percent and 22

percent, respectively, concurrently hold posts in scientific and technical organizations and other social groups.

The data collected by the PPORC indicates that factory directors evince a high level of specialization, have experience in administration and management, and are very energetic. Thus, the question arises, since there are such capable personnel at work earning a good income, why does the national economy always just limp along?

In attempting to answer this question, "The Warsaw Life News" published an article titled "Is He 'One Servant With Many Masters,' or Does He Act as a Manager?"

The article said that in reality factory directors often feel they are under pressure from various forces and self-contradictory tendencies coming from organizations in authority, workers, autonomous bodies, trade unions, and sociopolitical organizations at all levels. Thus, sometimes the status and responsibilities of a factory director are not high. The task put forward by resolution at the 10th Congress of the Polish United Workers' Party [PZPR] was to establish an effective system to examine and appraise enterprise operating conditions and enhance the status of the factory director.

How will they enhance the status of the factory director? The article stated a belief that the nucleus of the problem can be summed up by saying that the conduct of the various organizations in an enterprise should work toward improving the benefits of economic actions and ensuring that enterprises effectively utilize all the possibilities provided to them by law. One principle emphasized at the PZPR Political Office Conference was that in enhancing the status of the factory director, there must be no damage to workers' autonomous bodies. It is very important to enhance the status of the enterprise and its various internal organizations, and the factory director and the autonomous bodies. And it is equally important to implement completely the principle that an enterprise is solely responsible for its profits or losses.

Competition for the post of factory director is not a threat, rather it can improve the prestige of enterprise leaders. Consequently, the duties of the competitors should be stressed, the number of people in examination and appraisal groups should be expanded, and the participation of representatives in associations of economists and associations of specialized engineering and technical personnel should be drawn upon in order to make the selection for the post more scientific and rational.

There are not many people who advocate simply increasing the salary of factory directors. A new method can be considered. Some people propose that the factory director's salary can be composed of three parts, as follows: The first part should be the basic wages plus an allowance for administrative work, qualifications, and service record. The second part should be a substantial annual bonus linked to how well enterprise finances and income were handled, including another bonus for the competent factory director in place of the quarterly bonus of the past. The third part should be a special individual bonus, which may be drawn from central funds, for only those who

have made a special contribution. Clear material benefits are a major factor in encouraging an enterprise.

The article said that in the second stage of economic reform in Poland enterprises face an environment in which economic pressures are stronger and there is a stricter system for enterprises to accept sole responsibility for their profits and losses. But at the same time there are more opportunities for free participation in economic activities and there is greater leeway for exercising initiative to make good use of the forces of production.

Power expansion should be integrated with greater requirements, as well as with examination and appraisal of enterprise operating conditions and of the enlarged role exercised by the factory director.

Polish public opinion has it that one fundamental condition for the second stage of economic reform is to enhance the status of the factory director. On this point, opinion is more or less unanimous. Differences of opinion lie in the choice and implementation of practical programs.

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